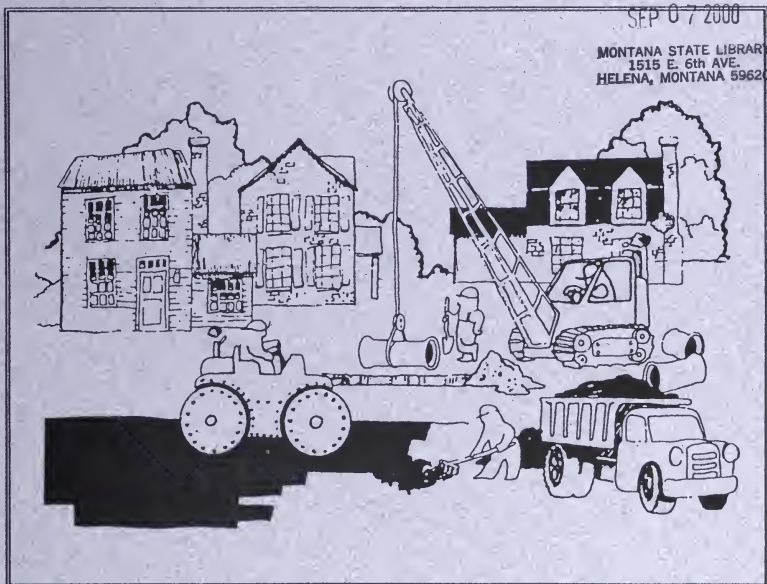


TREASURE STATE ENDOWMENT PROGRAM

2000-2001 APPLICATION GUIDELINES FOR PUBLIC FACILITIES PROJECTS

STATE DOCUMENTS COLLECTION



MONTANA DEPARTMENT OF COMMERCE

January, 2000



MONTANA TREASURE STATE ENDOWMENT PROGRAM

2000-2001 APPLICATION GUIDELINES

Application Deadline May 5, 2000

MONTANA DEPARTMENT OF COMMERCE

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PREFACE

These application guidelines explain how cities, towns, counties, special purpose districts, and tribal governments can apply for financial assistance under the Treasure State Endowment Program (TSEP). In addition to providing information regarding the types of public facility projects and activities which are eligible for funding under TSEP, these guidelines set out the general policies for TSEP and the requirements for submitting TSEP applications. The application form, and the preliminary engineering report and environmental requirements are in a separate publication, the Uniform Application Supplement for Montana Public Facility Projects, Second Edition.

The TSEP staff will assist applicants in understanding all of the technical and financial requirements of the TSEP program. Please contact the TSEP staff if you have any questions regarding the TSEP Application Guidelines, or the application form, preliminary engineering report outline or environmental checklist found in the Uniform Application Supplement for Montana Public Facility Projects, Second Edition.

The TSEP Application Guidelines and Uniform Application Supplement for Montana Public Facility Projects, Second Edition are also available on computer disk and the Internet (www.dnrc.state.mt.us). Both of these publications are formatted in Microsoft Word 97 (6.0) for Windows. Upon request, these publications will be provided in other word processing programs or versions, if possible.

The Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals, who need aids or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests.

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INTRODUCTION

Having trouble meeting tough new federal water quality standards? Have you reached the capacity of your city's wastewater treatment plant? These issues, along with other infrastructure problems, are a dilemma for local officials trying to improve their communities.

The Treasure State Endowment Program (TSEP) is a state-funded program designed to help local governments obtain affordable financing for constructing or upgrading drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. The Department of Commerce's research and comments from local government officials indicate that the principal reason why so many local public facilities are deficient is that most options for correcting deficiencies are simply not considered affordable by local residents. TSEP has been designed to help address that "affordability" problem.

The Department encourages local officials, staff and engineers to consider whether TSEP funds could help finance a local infrastructure project. Approximately \$12 million will be available for TSEP grant awards through the 2001 Legislature. Prospective applicants should contact TSEP staff as soon as possible to discuss their project and the application requirements.

The Department has also published several technical guides, which may be useful to local officials who are working on public facility problems, including:

- A Handbook: Capital Facilities Scheduling and Financing
- Planning and Financing Community Water and Sewer Systems in Montana
- County Bridge and Road Capital Improvement Planning and Financing Manual
- The Mini Capital Improvements Plan for Small Towns
- Financial Assistance Programs Funding Water, Wastewater and Solid Waste Projects in Montana

Copies of these publications can be obtained by contacting us at the telephone number or address shown on the previous page.

SUMMARY

1. The Treasure State Endowment Program (TSEP) is a state-funded program designed to assist communities in financing public facilities projects. It was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. The law has been codified as Sections 90-6-701 through 90-6-710, MCA (see Appendix J, for the text of the statute).
2. Projects eligible for TSEP assistance include drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges.
3. Cities, towns, counties, consolidated governments, county or multi-county water, sewer, or solid waste districts, and tribal governments are eligible to apply for TSEP assistance.
4. Eligible applicants may submit one application per funding cycle.
5. Current estimates are that approximately \$12 million will be available for TSEP grant funding awards for fiscal years 2000 and 2001. (See Appendix I, Amount of TSEP Funds Available.)
6. Applications are accepted by the Department of Commerce (DOC) on a two-year cycle. **The deadline for TSEP applications to be considered by the 2001 Legislature is May 5, 2000.**
7. Under the TSEP statute, and policies established by the Governor and Legislature since 1993, the review of TSEP applications by DOC is a two-step process. In the first step of the review process, applications are analyzed by DOC staff and ranked based upon the extent to which the proposed project relates to each of the seven statutory criteria. In the second step of the review process, applications are evaluated based upon applicants' proposed level of local financial participation and their ability to borrow funds or otherwise finance the project without the use of TSEP grant funds. DOC then submits a list of recommended projects, along with the recommended form of financial assistance for each project, to the Governor. The Governor reviews DOC's recommendations and submits his recommendations to the Legislature. The Legislature makes the final decisions on funding awards. (For more information, see Appendix D, Application Review Process.)
8. The policy recommended by DOC and the Governor since 1993, and subsequently followed by the last four Legislatures, is that TSEP grant funds should only be approved for projects where the applicant has proposed a reasonable level of local financial participation. (For more information about what is required to be recommended for grant funds, see Appendix D, Application Review Process.)
9. The Legislature has authorized grant funding for 88 projects during the four legislative sessions since the inception of TSEP in 1993. Approximately \$30.5 million in TSEP grant funds has been awarded. The total cost to build all of these projects is over \$168.9 million. (See Appendix K for a list of previously approved projects.)

SECTION I.

ELIGIBLE APPLICANTS

- A. Eligible applicants for TSEP assistance include any:
1. Incorporated city or town
 2. County
 3. Consolidated government
 4. County or multi-county water, sewer, or solid waste district
 5. Tribal government (includes any federally recognized Indian tribe within the State of Montana)
- B. Projects may be undertaken jointly by two or more eligible applicants in order to provide the most appropriate and cost-effective solution to an infrastructure problem. One of the applicants must be designated as the lead applicant and accept full responsibility for administrative and financial management during the term of the project. A draft of an interlocal agreement that establishes the lead applicant and other policies for the proposed joint project must be provided with the application.
- C. Non-public entities are not eligible for TSEP assistance. Under Article V of the Montana Constitution, the Legislature is prohibited from making any appropriation for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the State.
- D. Water or sewer users associations, because they are private non-governmental entities, and rural special improvement districts (RSID), must first be legally created as a county or multi-county water and sewer, or solid waste district (pursuant to sections 7-13-22 and 23, MCA) before submitting a TSEP application. A county may also sponsor an application on the behalf of a legally created county or multi-county water and sewer, or solid waste district. The applicant will be required to submit documentation with the application substantiating the legal creation of the district.
- E. A specific geographic area, such as a neighborhood, within an eligible applicant's jurisdiction may be identified for an eligible project.
- F. Applicants must have the management capacity to undertake and satisfactorily complete the project and assure proper management of TSEP funds. Under Montana law, TSEP recipients must have financial management systems that meet generally accepted accounting principles. If water, sewer, or solid waste districts do not believe they will be able to meet this legal requirement, they should consider requesting their county government to apply on their behalf. Funds will not be

provided to TSEP recipients until an acceptable financial management system has been implemented.

- G. Eligible applicants are limited to one application each funding cycle.

SECTION II. ELIGIBLE PROJECTS AND PROJECT EXPENSES

A. ELIGIBLE PROJECTS

Types of projects eligible for TSEP assistance include:

1. Drinking water systems
2. Wastewater treatment systems
3. Sanitary sewer or storm sewer systems
4. Solid waste disposal and separation systems, including site acquisition, preparation, or monitoring
5. Bridges

Bridges proposed to be replaced with culvert type structures are eligible for TSEP assistance. A culvert that is proposed to be replaced with another culvert is only eligible for TSEP assistance if the culvert to be replaced functions in the same manner as a bridge by being the primary support for the weight of a vehicle versus the sub-grade of the road.

In order to determine whether the culvert to be replaced functions in the same manner as a bridge, the span length and the depth of fill in relationship to the span or diameter of the culvert will be analyzed. In general, the span length (diameter for round pipe), should be no less than eight (8) feet, and the depth of fill carried by a structure should be no less than one quarter of its total span length (diameter).

Typically, only one type of eligible public facility is submitted as a TSEP project. However, a TSEP project may address the needs of more than one of the above types of eligible public facilities if the proposed activities:

1. Are clearly complementary and in support of one other, and are reasonable and appropriate to conduct in a coordinated manner;
2. Will result in greater efficiencies and cost savings for design and construction; and
3. Will enhance the overall impact of the project in providing a long-term solution to the identified public facility problems.

For example, a community needs to make improvements to both their water and wastewater systems. There are serious deficiencies with the water system and the system also needs

to be expanded. The improvements to the water system will require that the wastewater system have a greater capacity to treat the additional effluent. In addition, streets will need to be torn up to access both water and sewer lines. In this case it makes good sense to make improvements to both systems at the same time.

The total amount of the TSEP grant funds requested is limited to no more than \$500,000 for the entire project (\$500,000 per local government applicant) regardless of the number of public facilities involved in the project.

Two or more eligible applicants may apply independently for funding a project which may be coordinated as part of a larger project, such as a regional water system. In this case, each applicant would be able to apply for the maximum grant of \$500,000.

Ranking of Projects Involving Multiple Facilities

Applicants considering a project involving multiple facilities, should ensure that the public facilities under consideration have:

- a. a comparable need for the proposed improvements; and
- b. the proposed technical solutions are equally appropriate and would achieve a reasonable impact on the needs for each public facility.

If these two criteria are not met, each public facility involved in the project may be ranked individually on any particular statutory priority. If it is appropriate to rank each public facility individually, the score will be determined by prorating the scores assigned to the statutory priority based on the percent of the total project cost that each public facility represents. As a result, a water system that does not have any serious problems when combined with a wastewater system, with very serious problems, could make the application as a whole less competitive than if the application was only for the wastewater system project.

B. ELIGIBLE PROJECT EXPENSES

Project expenses eligible to be reimbursed by TSEP funds include any reasonable and authorized expense directly related to the eligible infrastructure project incurred after a contract has been signed between the grantee and DOC, such as:

1. The planning, engineering and architectural design, construction, erection, acquisition, site or other improvements, alteration, modernization, reconstruction, improvement, or expansion of the project.
2. The administration of the TSEP contract and management of the project, and financial expenses, such as interest expense and bond issuance costs attributable to the project. (Generally, a maximum of ten percent of a TSEP

grant may be used for administrative costs.) Up to 50% of the cost to purchase computers and computer software, which are utilized to administer the TSEP contract and manage the project, are eligible administrative expenses.

3. Connection charges (hook-up fees and connection costs), water meters, and meter installation.
4. Individual Special Improvement District (SID) or Rural Improvement District (RID) property assessments.

C. INELIGIBLE PROJECT EXPENSES

Project expenses that are not eligible for reimbursement with TSEP funds include:

1. Direct financial assistance for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state.
2. Annual operation and maintenance.
3. Purchase of non-permanent furnishings and fixtures or equipment that is not permanently installed in or solely dedicated to the operation of the project.
4. Refinancing existing debt, except when necessary in conjunction with the financing of a new TSEP project.
5. **Any unauthorized cost incurred prior to the effective date of a signed TSEP contract between the grantee and DOC.** Reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.
6. **Project expenses that have been incurred in violation of State laws and regulations.**

Applicants should be cautious if planning to start a project before it has been approved by the Legislature and Governor, and the grantee has a signed contract with DOC. DOC requires that TSEP grantees adhere to various laws and requirements of the State and the program. Failure to do so could result in TSEP funds not being eligible for reimbursing project activities such as engineering, construction, etc. Applicants that plan to commence a project before it has been approved for funding, should discuss their plans with the TSEP staff.

SECTION III. TYPES OF FINANCIAL ASSISTANCE AVAILABLE

A. GENERAL INFORMATION

TSEP funds are intended to complement existing financing options whenever possible, rather than to duplicate them. Because the amount of funding available for TSEP matching grants is limited in relation to the total need for local public facility improvements statewide, communities are encouraged to seek out private bond financing and other state and federal loan and grant programs for their projects.

B. TYPES OF FINANCIAL ASSISTANCE

The TSEP enabling statute provides four types of TSEP financial assistance:

- matching grants for local infrastructure projects;
- loans for local infrastructure projects at a subsidized interest rate;
- loans for preliminary engineering studies; and
- annual debt service subsidies for local infrastructure projects.

Although the TSEP enabling statute provides four funding options, "matching grants" have been the preferred form of TSEP financial assistance, for several reasons:

- The other sources of federal and state grant funds to help make local public facility projects affordable are extremely limited.
- There are several other low-interest federal and state loan programs already available. In addition, conventional financing is available at competitive interest rates through the private bond market.
- TSEP loans for preliminary engineering studies have proven to be impractical because of the inherent delays involved in receiving funding through the legislative process. In order to comply with mandatory regulatory deadlines, most communities cannot wait up to two years or longer for funding. Also, the Montana Board of Investment's INTERCAP Program has developed a similar deferred repayment loan program for preliminary engineering studies which is available on a continuous basis to local governments.
- Debt service subsidies do not appear cost-effective and raise serious technical, financial, and legal issues, based on a study commissioned by DOC (See Section F for further discussion).

C. MATCHING GRANTS

TSEP matching grants are intended to make needed public facility projects more affordable for local residents by lowering projected user charges or special assessments to reasonable levels.

1. Ceilings on Grant Amounts

Requests for matching grants are limited to a maximum of \$500,000 per grant application. DOC will conduct a financial assessment as described in Appendix D (Application Review Process), as the basis for the recommendation on the form and amount of assistance provided to each project.

2. Eligible and Ineligible Match

In order to be eligible for a TSEP matching grant, matching funds must be provided by the applicant to assist in financing the total project cost.

a. Eligible Matching Funds

"Matching Funds" are public or private funds to be provided by a TSEP applicant to directly support the costs of eligible project activities. Eligible types of matching funds include:

- local general funds or other cash;
- proceeds from the sale of general obligation, revenue, special assessment or other bonds;
- entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes;
- loan or grant funds from a state or federal program (including TSEP loans);
- funds expended for engineering studies, reports, and plans, or other reasonable expenses expended for the preparation of the application, directly related to the proposed project during the period 24 months prior to the TSEP application deadline, i.e., May 6, 1998 to May 5, 2000;
- funds expended after the TSEP application deadline, May 5, 2000, for project management, final engineering design, and other reasonable expenses necessary to prepare the project as proposed in the TSEP application for the construction phase;

- the value of land or materials provided by the applicant, if appraised within a two-year period preceding the application deadline. The appraisal must be:
 - (1) an impartially written statement that adequately describes the land or materials, and states an opinion of defined value as of a specific date;
 - (2) supported by an analysis of relevant market information; and
 - (3) prepared by a qualified appraiser independent from the applicant.
- the value of labor performed by the applicant's employees on the proposed project, after the TSEP project has been approved for funding and a TSEP contract has been signed, as long as the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and
- the value of machinery used in the process of constructing the project that is owned (or leased) and operated by the applicant. The value of the use of the machinery will be determined using the Federal Emergency Management Agency (FEMA) equipment rate schedules.

Applicants should be cautious if planning to start a project before it has been approved by the Legislature and Governor. Applicants should discuss their plans with the TSEP staff to ensure that they will have sufficient matching funds as required by the program.

b. Ineligible Matching Funds

Land, materials or services that cannot accurately and fairly be assigned a uniform monetary value are ineligible as matching funds.

Funds expended on a project before it is approved for funding by the Legislature and Governor are ineligible as matching funds, except for:

- funds expended for preliminary engineering studies, reports, and plans, or other reasonable expenses expended for the preparation of the TSEP application, directly related to the proposed project during the period 24 months prior to the TSEP application deadline, i.e., May 6, 1998 to May 5, 2000; or
- funds expended after the TSEP application deadline, May 5, 2000, for project management, final engineering design, and other reasonable

expenses necessary to prepare the project as proposed in the TSEP application for the construction phase. Funds expended on the construction phase of a project before it is approved for funding by the Legislature and Governor are ineligible as matching funds.

3. Amount of Match for Affordability and Hardship Grants

a. Affordability Grants

Applicants are generally eligible to receive a maximum grant of no more than 50 percent of the eligible project expenses, where grant assistance is necessary in order to make residential user fees or assessments affordable and indicators of financial need clearly indicate that higher local financial participation is not reasonable.

b. Hardship Grants

In cases of extreme financial hardship and where the public's health or safety is affected, an applicant may be eligible to receive a Hardship Grant from 51 percent up to 75 percent of the eligible project expenses in order to help reduce user costs to a more affordable level. However, the total amount cannot exceed the maximum TSEP grant of \$500,000. Applicants may be eligible to receive a TSEP Hardship Grant if all three of the following tests are met:

- (1) a serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur; and the proposed project will correct the deficiencies; and
- (2) as a result of the water or wastewater project, user rates would be at least two times the community's "target rate" (based upon the projected monthly rates with TSEP assistance), or in the case of bridge projects, the county would be currently levying for bridges, and/or have committed to levying for bridges in the next budget year, an amount at least two times the statewide median of .04% of the county's MHI (.08% of the county's MHI); and
- (3) other sources of funding are not reasonably available.

For water, wastewater and solid waste projects, other funds are not considered reasonably available if the applicant is either not eligible for funding from a typical source of funding, or the applicant has applied for, but not been selected for funding.
--

For bridge projects, other funds are not considered reasonably available if:

- the county's total residential property tax burden is at least 2.93% of the county's MHI, or
- if less than 2.93%, the county has approved a General Obligation bond to help fund the project, and the equivalent residential annual assessment when added to the existing residential tax burden is at least equal to 2.93% of the county's MHI.

4. Limitation on TSEP Funds Per Household

A grant request should not exceed \$7,500 per benefited household. Applicants requesting more than \$7,500 per benefited household will not be recommended for a grant unless all three of the applicable tests defined above under Hardship Grants are met.

D. CONSTRUCTION LOANS AT A SUBSIDIZED INTEREST RATE

A direct TSEP loan will be considered if an applicant clearly demonstrates that they are unable to finance the proposed project at a reasonable cost through conventional loans or bonds through the private sector, or with the assistance of other state or federal infrastructure financing programs. Direct loans may, when necessary, be used in conjunction with a TSEP grant. The Department will recommend a loan at a subsidized interest rate in cases where this approach is determined to be the most fiscally sound and cost-effective means of reducing local user charges or assessments to reasonable and affordable levels.

The TSEP policies for loan terms and interest rates are identical to those already established for loans through the Renewable Resource Grant and Loan Program administered by the Montana Department of Natural Resources and Conservation (DNRC). Refer to the current application guidelines of the Renewable Resource Grant and Loan Program.

In order to avoid duplication with existing state or federal loan programs, and before considering a TSEP construction loan, local officials or staff should first contact the DNRC Renewable Resource Grant and Loan Program, the Montana Department of Environmental Quality State Revolving Fund Loan Programs, the USDA Rural Development Program (formerly Farmers Home Administration), or private bond underwriting firms. These state and federal agencies and private firms have public facility construction loan and/or bond programs that may offer more competitive interest rates and terms.

E. LOANS FOR PRELIMINARY ENGINEERING STUDIES

Applicants may apply for a TSEP loan to fund preliminary engineering studies. Repayment of TSEP loans for planning and preliminary engineering will be calculated on the basis of five percent interest per year. Loans must be repaid in full when construction financing is committed and released for a public facilities project or within five years of the signing of the loan agreement, whichever is first. According to the TSEP enabling statute, "the applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project." Failure to repay a loan will disqualify the loan recipient as an applicant for future TSEP assistance.

The Montana Board of Investments also administers a local government loan program that provides deferred repayment loans for preliminary engineering studies. Because the Board meets several times per year, local government applicants are provided with timely access to this program. For more information about the program, contact:

INTERCAP Program
Montana Board of Investments
Montana Department of Commerce
555 Fuller Avenue
Helena MT 59620-0125
(406) 444-0257

A loan used to prepare a preliminary engineering report can be counted toward the required matching funds if the expenses are incurred in the period 24 months prior to the TSEP application deadline.

F. ANNUAL DEBT SERVICE SUBSIDIES

The TSEP enabling statute allows financial assistance to be provided as a long-term debt service subsidy. In concept, an annual debt service subsidy would provide TSEP funds to pay a fixed percentage of the community's annual debt service payment on a bond or loan over the life of the loan or bonding period. In effect, a debt service subsidy would be a grant made on an installment basis for a fixed period of time.

Because debt service subsidies were an entirely new concept, DOC commissioned a study in 1995 to investigate the technical, legal and financial feasibility of annual debt service subsidies. The study concluded that using debt service subsidies would require the use of complicated, and probably expensive, methods to establish the subsidy mechanism, to structure subsidies as part of local government financial arrangements, and to administer subsidy payments. It also determined that one-time, up-front grants provide greater financial benefit to local government utility customers than do debt service subsidies. Thus it appears that the annual debt service subsidy method is not a realistic and cost-effective method of financial assistance for local government infrastructure projects. (Copies of the report are available upon request from DOC.)

SECTION IV.APPLICATION REVIEW PROCESS

- A. DOC staff will review applications for technical and financial feasibility. To facilitate DOC's review, applications should be organized according to the format outlined in Appendix A, TSEP Application Format Instructions. Additional information on completing the application form and the preliminary engineering report is provided in Appendix B and C. Suggestions for writing a successful TSEP application are provided in Appendix F.
- B. Under the TSEP statute, and policies established by the Governor and Legislature since 1993, the review of TSEP applications by DOC is a two-step process. In the first step of the review process, applications are ranked based upon the extent to which the proposed project relates to each of the seven statutory criteria. In the second step of the review process, applications are evaluated based upon the applicant's proposed level of local financial participation and its ability to borrow funds or otherwise finance the project without the use of TSEP grant funds. (For more detailed information on the process, see Appendix D, Application Review Process; Appendix E, Target Rate Analysis; and Appendix G, TSEP Application Flowchart, for a graphic summary of the process a TSEP application goes through to be funded.)
- C. DOC may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. DOC may take additional information, based upon DOC's or other agency's knowledge about a proposed project or particular community problems, into account in the scoring of an application. However, **no additional information may be submitted by the applicant after the application deadline unless requested by DOC staff to clarify information already presented in the application.**
- D. During the review, DOC staff may contact the applicant to review the application and to discuss any concerns or questions or to request additional information or documentation. Once the technical review of the preliminary engineering report has been completed, DOC will provide the applicant with the draft engineering review report. The applicant will be given approximately one week to review the report and provide comments to DOC regarding its accuracy. Applicants will be able to point out information in the preliminary engineering report that did not appear to be addressed, or to help clarify an issue if it appears the review engineer has misinterpreted information provided in the preliminary engineering report. However, **comments can only be made in light of information already presented in the TSEP application. No new information may be submitted by the applicant at this point.**
- E. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application.
- F. The DOC Director will submit to the Governor a list containing the projects recommended for funding and the amount of financial assistance for each.

- G. The Governor will review DOC's recommendations and submit a list of recommended projects and form of financial assistance to the Legislature.
- H. The Legislature first assigns the proposed TSEP appropriation legislation to the appropriate subcommittee, which conducts hearings on the proposed projects. The subcommittee makes its recommendations to the House of Representatives. Once passed by the House of Representatives, the bill moves to the Senate for its consideration.
- I. Once the Legislature passes the bill, it is sent to the Governor for his or her consideration.

SECTION V. TSEP PROJECT ADMINISTRATION

A. TSEP CONTRACT

If the Legislature approves a TSEP project, the TSEP recipient will enter into a contract with DOC. The contract will include:

- the amount of TSEP funds and form of financial assistance to be provided;
- a detailed budget for the TSEP funds, and any other funds, to be involved in the project;
- the scope of work to be completed and the schedule for implementation of project activities; and,
- the general and special terms and conditions associated with the project. **In particular, the TSEP recipient must agree to comply with all state laws and regulations and administrative directives and procedures established by DOC, unless superceded by federal law.**

B. DISBURSEMENT OF TSEP FUNDS

TSEP funds will normally be disbursed as follows (subject to the availability of TSEP funds):

- **Matching Grants** -- Grant funds are not made available until the grant recipient has been notified that TSEP funds are available for the project. **Only eligible project expenses that have been incurred after a TSEP contract has been signed, and the expense has actually been incurred, are eligible for reimbursement with TSEP funding.**
- **Annual Debt Service Subsidies, Construction Projects** -- Disbursement will be made on an annual schedule which will be coordinated with the amortization schedule for the underlying loan or bond agreement.
- **Loans, Construction Projects** -- Disbursement will be made based on schedules negotiated by DOC and the loan recipient.
- **Loans, Preliminary Engineering Studies** -- Disbursement will be made based on schedules negotiated by DOC and the loan recipient.

No funds will be released to TSEP recipients until:

1. **the contract is fully executed between DOC and the TSEP recipient,**
2. **an acceptable management plan has been approved by DOC,**

3. a firm commitment has been provided for all non-TSEP financing to be involved in the project,
4. the TSEP recipient is in compliance with the auditing and reporting requirements established by the Department (2-7-503, MCA), and has established a financial accounting system which the Department can reasonably ensure conforms to Generally Accepted Accounting Principles (GAAP),
5. the TSEP recipient has complied with any special conditions established by the Legislature or DOC, and
6. sufficient TSEP funds are available to fund the project.

C. TIMING OF TSEP FUNDING FOR LOCAL PROJECTS

Assuming that the policy for the award of TSEP funding followed by the Legislature to date is continued, **grant funds would be disbursed to TSEP recipients according to the ranked order of the projects approved by the Legislature as interest income is earned incrementally on the Treasure State Endowment Fund.** Grant funds are dispersed each month, as they become available.

If the grant recipient has not met the start-up conditions, and is not ready to proceed when funds for its project are available, DOC may distribute funds to the next local government on the priority list that is ready to proceed with its project. The intent underlying this provision is that a higher ranked project should not delay all projects ranked below it, if the higher ranked project is temporarily stalled and cannot meet start-up conditions. A project that is temporarily passed over for funding will have additional opportunities to receive TSEP funding at later dates, when the project is able to meet the start-up prerequisites. This disbursement policy is intended to encourage TSEP recipients to proceed expeditiously to complete their projects.

Lower ranked TSEP recipients whose projects have been approved for funding may potentially have to wait for up to two years for their TSEP funds (three years from the date of application) because the enabling statute structures the flow of funds in this manner. As a result, the timing of the available funds may not coincide with the need to fund construction projects at the most opportune time, i.e., when the projects' other funding sources become available or during the desired part of the construction season. These are important considerations for TSEP recipients to keep in mind as they plan the financing package and construction schedules for their public facility projects. Thus, applicants may want to consider interim financing, such as that offered by the Montana Board of Investment's INTERCAP Program or the Montana Department of Environmental Quality's State Revolving Fund Loan Program, to deal with the potential delay in receiving TSEP funds. (For more information on INTERCAP, see Section III.E.)

D. COST SAVINGS

In the event that construction bids received for a TSEP project are less than the projected costs, DOC will establish a final project budget at the bid price with the remainder placed in the contingency line item of the budget. DOC may, at its discretion, reduce the amount of TSEP funding to be provided in proportion to all other project funding sources. As an alternative, TSEP may authorize the construction of additional, directly related project components to enhance the overall project, up to the original amount authorized by the Legislature.

E. CAPITAL IMPROVEMENT PLANNING

An adopted "Capital Improvements Plan" (CIP) is not a prerequisite for applying for TSEP funding. However, **applicants that receive TSEP funds and that do not have a CIP, will be required as part of the project to develop a CIP that covers at least a five year period for those types of facilities as indicated below:**

- For municipalities, the CIP would need to cover both the water and wastewater systems, and city streets. If the municipality is lacking either a water or wastewater system, then only the one system would need to be addressed in the plan.
- For water and sewer districts, the CIP would need to be prepared for both the water and wastewater systems. If the district is lacking either a water or wastewater system, then only the one system would need to be addressed in the plan.
- For solid waste projects, the CIP would need to include all solid waste facilities under the jurisdiction of the applicant.
- For bridge projects, the CIP would need to include all county roads and bridges.

A CIP is not required for a solid waste project or a single system project if all of the components in that system have been identified and addressed in the preliminary engineering report and the minimum required information as discussed below is provided. **TSEP funds may be used to pay for the preparation of the CIP and should be included in the project budget.** For additional information about how to create a CIP, DOC has published various documents that describe the process.

The requirement to complete a CIP is a result of the Legislature's Long-Range Planning Subcommittee's expressed desire to encourage more effective long-term planning for the construction, maintenance, and repairs of local public facility projects presented to the Subcommittee for funding assistance. Effective planning for the financing of the construction, maintenance, and repair of your community's public infrastructure is extremely important in light of the limited financial resources that are available for assistance.

(continued on next page)

In addition, adoption of a CIP is simply good business for local governments. A CIP can help your community, or county, reduce the costs to construct, maintain, or repair your public facilities. A CIP helps communities identify their public facility needs, establish project priorities, and create a program for the scheduling and funding of construction or repair projects. However, a CIP should contain specific information in order to be useful and effective. Finally, the CIP should be adopted in conjunction with the local government's budget process and used to coordinate budgetary needs.

In order to meet the TSEP requirements, the CIP must include the following information at a minimum:

- 1. An inventory of existing facilities (only those facilities identified above) and their general condition;**
- 2. Population projections and their impact on existing facilities;**
- 3. Identification and prioritization of needs/projects;**
- 4. Indication of what year projects are scheduled to be accomplished;**
- 5. Indication of the estimated cost for each of the projects;**
- 6. Identification of the amount and potential sources of funding for each of the projects; and**
- 7. Identification of the timing and any other specific requirements associated with obtaining the funding for the projects.**

F. PROGRESS REPORTING

TSEP recipients will be required to submit quarterly narrative progress and financial reports to DOC and, upon project completion, a final report to DOC.

G. PROJECT MONITORING

Periodically, DOC staff will make monitoring visits to assure that the funds are being used properly and that the projects are being administered in conformance with state law and regulations.

H. PUBLIC DISCLOSURE

With the exception of any proprietary plan or financial information relating to a private business, all TSEP records will be available for public review with reasonable notice during

regular office hours. Proprietary information regarding a private business will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

I. BIENNIAL REPORT TO LEGISLATURE

DOC will prepare a biennial report to the Legislature regarding the status of projects previously approved for funding. DOC may refer a project back to the Legislature for its reconsideration of TSEP funding for the project if it has not proceeded in a timely manner or it has proposed major changes in the scope of work.

J. TIMELY PROJECT COMPLETION

Because there is a considerably greater demand for TSEP funds than there are funds available, DOC must ensure that funding is provided to applicants who are ready and able to proceed with their projects. TSEP grant recipients are expected to complete their start-up conditions as soon as possible, and typically, should be able to complete their projects within 24 months of a "Notice to Proceed." As a result, if a grant recipient has not completed the "Project Start Up Conditions" within 18 months of the beginning of the biennium in which the grant funds are authorized, the Department may refer the project back to the Legislature for its consideration of whether to continue funding the project. Furthermore, **if a grant recipient fails to commence or complete its project in a timely manner, the Department will refer the project back to the Legislature for its consideration of whether to continue funding the project.**

K. CHANGES TO AN APPROVED PROJECT

In accordance with the Legislature's policy as expressed in the previous legislation that has authorized TSEP projects, **the Department cannot approve amendments to the scope of work or budget affecting priority activities or improvements that would materially alter the intent and circumstances under which the application was originally ranked by the Department and approved by the Governor and Legislature.** Significant changes to the scope of work or budget could jeopardize the continued funding of the project using TSEP funds if the Department determines that the proposed amendments could "materially alter the intent and circumstances" under which the project was originally approved. Local governments that have already been provided with a "Notice to Proceed," that request a modification that significantly affects the scope of work or budget, may have their TSEP funding temporarily suspended. The suspension would remain in effect until the next session of the Legislature when the proposed change would be presented to the Legislature for its approval.

APPENDICES

APPENDIX A

TSEP APPLICATION FORMAT INSTRUCTIONS

1. In order to make the process of applying to infrastructure financing programs simpler and more efficient for communities, various state and federal agencies have worked together to develop common application forms and requirements. The application form, preliminary engineering report outline, and environmental checklist, can be found in a supplemental publication the Uniform Application Supplement for Montana Public Facility Projects, Second Edition. These application materials can be used to apply to TSEP and the Community Development Block Grant (CDBG) program (both administered by DOC), the Department of Natural Resources and Conservation Renewable Resource Grant and Loan program, the Department of Environmental Quality State Revolving Loan Fund programs (drinking water and wastewater), and the U.S. Department of Agriculture Rural Development program.
2. **TSEP applicants must submit the TSEP application** information as indicated in the Uniform Application Supplement for Montana Public Facility Projects, Second Edition and as provided in these guidelines, **following the format prescribed by these TSEP guidelines**. In order to simplify the preparation of TSEP applications, the TSEP application materials are available on computer disk. The TSEP application materials are formatted in Microsoft Word 97 (6.0) for Windows. Upon request, the TSEP staff will attempt to provide the application in other word processing programs, if possible.
3. Applications should be as concise as possible, however, the applicant may use as many pages as necessary to adequately explain the proposed project. Only information pertaining directly to the proposal and the TSEP statutory priorities should be included.
4. Applications should be submitted on standard 8 ½ x 11-inch paper, with maps and large sheets folded to an 8 ½ X 11-inch size.
5. The application should be submitted under a single cover. However, if supporting documents such as the preliminary engineering report and a capital improvements plan are voluminous, they may be submitted as a separate document.
6. Pages should be numbered consecutively.
7. Applications should be bound along the left margin in some manner. Tabs on the right side of the applications should be used to mark sections and appendices.
8. Supporting documents should be placed in an appendix. Supporting documents include items such as public hearing notices, maps, local government resolutions, survey forms, financial statements, letters of commitment, etc. Appendices should be listed in the table of contents.

9. The TSEP application should be organized according to the following outline:

- a. **Table of Contents**
- b. **Uniform Application Form**

Each applicant must complete the Uniform Application Form for Montana Public Facility Projects. See the Uniform Application Supplement for Montana Public Facility Projects, Second Edition for the form and instructions. Also see Appendix B for TSEP-specific information related to the completion of the Uniform Application Form.

- c. **Response to TSEP Statutory Priorities**

Each applicant must submit a narrative as part of its application that describes the relationship of the proposed TSEP project to each of the seven TSEP statutory priorities, unless noted otherwise. See Appendix D, Application Review Process, for a list of the statutory priorities.

- d. **Preliminary Engineering Report**

Each applicant must provide a copy of a Preliminary Engineering Report. See the Uniform Application Supplement for Montana Public Facility Projects, Second Edition for instructions regarding the content of the report. Also see Appendix C for TSEP-specific information related to the completion of the Preliminary Engineering Report. Each applicant must also submit a completed Uniform Environmental Checklist as an attachment to the Preliminary Engineering Report. The checklist can be found in the Uniform Application Supplement for Montana Public Facility Projects, Second Edition.

- e. **The following should be included as Appendices in the application:**

- (1) **Resolution to Authorize Application** - Each applicant must provide a resolution to authorize the submittal of the TSEP application. See Appendix G for a model Resolution to Authorize Application.
- (2) **Formation of District Documentation** - County water, sewer, and solid waste districts must submit documentation substantiating that the District has been legally created. At a minimum, the District must submit a copy of the county resolution creating the District and a certificate of incorporation from the Secretary of State.
- (3) **Maps** - Each applicant must include a legible map showing the boundaries of the proposed project area and the locations of all proposed project activities, such as land to be acquired or public facilities to be constructed or improved.
- (4) **Implementation Schedule** - Each applicant must submit an implementation schedule which describes the overall schedule for project completion,

including engineering and construction. A blank project implementation schedule is provided at the end of this appendix that applicants can complete for their project.

- (5) **Other Supporting Documentation** - Each applicant should identify the source of supporting data for any statements made in the application. If local research was conducted to support the application, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application. The applicant should retain all original documentation.

10. **Five copies** of the TSEP application and attachments must be delivered or postmarked on or before **May 5, 2000**. In addition, submit a copy of your completed **Uniform Application Form, responses to the seven TSEP statutory priorities, and the Preliminary Engineering Report on a computer diskette if it is available**. Please indicate the computer software used to produce the information and diskette.
11. Copies of the application for TSEP funding and all attachments must be submitted to:

**Montana Department of Commerce
Local Government Assistance Division/TSEP
1424 9th Avenue
PO Box 200523
Helena, MT 59620-0523**

12. See Appendix F for suggestions for writing a successful TSEP application.

QUARTERLY PROJECT IMPLEMENTATION SCHEDULE

TASK	QUARTERS, 2002				QUARTERS, 2003			
	1st J F M	2nd A M J	3rd J A S	4th O N D	1st J F M	2nd A M J	3rd J A S	4th O N D
<u>PROJECT START UP</u>								
Attend Grant Admin. Workshop		x						
Sign TSEP Contract								
Prepare Management Plan								
Establish Project Files								
Submit Signature & Depository Forms								
Submit Budgetary Resolution								
<u>PROJECT DESIGN</u>								
Advertise for & Select Engineer								
Commence Final Design								
Complete Project Design								
Submit Plans to DEQ								
Prepare Bid Documents								
Finalize Acquisition								
<u>ADVERTISEMENT FOR CONST. BID</u>								
Review Contract Requirements								
Public Bid Advertisement								
Open Bids & Examine Proposals								
Request Contr. Debarment Review								
Select Contractor & Award Bid								
Conduct Pre-Const. Conference								
Issue Notice to Proceed to Contractor								
<u>PROJECT CONSTRUCTION</u>								
Begin Construction								
Monitor Engineer & Contractor								
Conduct Labor Compliance Reviews								
Hold Const. Progress Meetings								
Final Inspection								
<u>PROJECT CLOSE OUT</u>								
Submit Final Drawdown								
Determine Audit Requirements								
Project Completion Report								
Submit Conditional Certification								
Submit Final Certification								

APPENDIX B

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM APPLICATION FORM

Each applicant must provide a completed copy of the Uniform Application Form for Montana Public Facility Projects in the TSEP application. It is important to carefully complete the application, and in particular the financial information section, since the information provided in the form will be used to score the TSEP application on TSEP statutory priorities #2 (Financial Need) and #5 (Obtains Funds From Other Sources). This information will also be used in the financial analysis which is used in making a recommendation on the form and amount of funds, if any, to be awarded to each applicant.

Completion of Section C - 2. Proposed Funding Sources

TSEP applicants must request a specific amount and form of TSEP financial assistance. Applicants should request only the minimum amount of TSEP funding necessary to complete the proposed project, in combination with funds from other sources. Applicants must provide matching funds if they are applying for TSEP matching grants.

The applicant should describe the availability or commitment of all other resources that are to be used to fund the proposed TSEP project. The degree to which non-TSEP resources are committed to the project may affect the number of points received in the scoring of the proposed project.

In documenting a public sector resource, the funding agency should verify the applicant's eligibility for the funds and describe the likelihood of receiving funding. Where funds will be provided by a local government, the commitment should be documented by a formal resolution by the governing body that specifies the approximate amount of the commitment.

In documenting a private sector resource, such as an applicant's proposal to issue municipal revenue bonds, the applicant should provide a letter from a bond counsel describing the applicant's eligibility to use the proposed financial instrument and the reasonable expectation of receiving funding through this means. The applicant should also provide a formal resolution by the governing body that indicates the applicant's intent to issue the bonds.

Completion of Section C - 3. Funding Strategy Narrative

Applicants for TSEP grant assistance must document that the proposed infrastructure project cannot reasonably be accomplished without a TSEP grant and that other private or public (e.g.,

local, state, or federal) resources are insufficient or unavailable to finance the proposed project at a reasonably affordable cost.

The form and amount of TSEP assistance ultimately recommended to the Legislature may differ from that originally requested by the applicant based on the review of the application by DOC. DOC will not recommend TSEP funding for projects which it determines to be financially or technically infeasible or not cost-effective.

Completion of Section C - 4. Project Budget Form

The proposed funding package must be sufficient to complete the proposed activities within a reasonable time period. Most projects should be able to be completed within two years of receiving notice that TSEP funds are available.

Generally, a maximum of ten percent of a TSEP grant may be used for administrative costs. However, administrative costs typically average five to seven percent of the total cost of the project. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a project. Communities considering relatively small requests (under \$75,000) may find that the ten percent allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the TSEP staff to discuss their proposed project prior to submittal of the application to determine the appropriate administrative cost and percentage.

Under no circumstances are costs that have been incurred prior to the effective date of a TSEP contract (such as fees for preparing an application, community surveys or needs assessments, engineering, or the costs associated with construction activities) eligible for reimbursement. However, reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.

TSEP applicants should include in their budget, a line item for the cost of preparing a five year Capital Improvements Plan (CIP), if they do not already have an adopted CIP at the time of the application. If an applicant does not already have an adopted CIP, one will be required as part of the contract if TSEP funding is received. (See page 25 for additional information regarding the TSEP CIP requirement.)

Specific Information for Bridge Applicants

Bridge applicants should not complete Section E - System Information on the form provided in the Uniform Application Form for Montana Public Facility Projects. Instead, bridge applicants should complete the questions on the following pages, and attach these pages to the Uniform Application Form for Montana Public Facility Projects in place of the existing Section E - System Information.

SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY

(Answers to questions can be completed on a separate sheet and attached to this form)

1. Please provide information about the sources of revenue used to fund your county's bridge budget this fiscal year and any available information for the next budget year. In those cases where data isn't available for next year, please note "not available."

Source	Current Budget Year	Budgeted Next Budget Year
Bridge Mill Levy		
General Fund or All Purpose Levy		
Fund Carryover		
Payment in lieu of taxes (PILT)		
Forest Receipts		
Video Gaming		
Motor Vehicle Tax		
State Gas Tax		
Oil and Gas Production Tax		
Grants (please specify below)		
Other (please specify below)		

Explanations: _____

2. What funds (non-property tax sources) does the county receive? Please provide information for the current year and any available information for the next budget year. In those cases where data isn't available for next year, please note "not available."

Source	Current Budget Year	Expected Next Budget Year
PILT		
Forest Receipts		
Video Gaming		
Motor Vehicle Tax		
State Gas Tax		
Oil and Gas Production Tax		
Grants (please specify below)		
Other (please specify below)		

Explanations: _____

	Previous Year	Current Year
3. What is the taxable valuation for your county?		
4. What is the total mill levy (number of mills) for your county?		
5. How many mills do you levy for bridges in your county?		

6. Is the county currently levying the maximum number of bridge mills as allowed under 7-14-2502, MCA and with respect to the provisions of 15-10-420, MCA (as per Senate Bill 184, passed by the 1999 Montana Legislature)? If not, please explain.
7. Is the county currently levying at least as many bridge mills as in the previous budget year? If not, please explain.
8. Is the county currently levying the maximum amount of property taxes allowable under 15-10-420, MCA (as per Senate Bill 184, passed by the 1999 Montana Legislature)? If not, please explain.
9. Has the county established a depreciation reserve fund for bridges as allowed under 7-14-2506, MCA? If yes, please explain.
10. Has the county sought a voter approved mill levy, special improvement district, general bond issue, or revenue bond to finance bridge repair and/or construction projects? If yes, please explain.
11. Has the county worked with other entities (private landowners, state or federal agencies, local businesses, etc.) to develop cooperative strategies for addressing bridge needs? If yes, please explain. In addition, if any of these cooperative strategies are being used to help finance this proposed TSEP bridge project, please explain.
12. Has the county inventoried and rated all of its bridges under 20 feet in length to determine their condition and needed maintenance and/or improvements? If yes, please attach a copy of the inventory.
13. If the county inventoried and rated all of its bridges under 20 feet, what is the total estimated cost for the repair or replacement of those bridges that have been identified as being structurally deficient or functionally obsolescent? \$ _____
14. Has the county prepared a county-wide capital improvements plan for all of the county's bridges which sets priorities, describes the estimated cost for improvements and maintenance, proposes a schedule for implementation, and projects how each bridge project would be financed? If yes, please attach a copy of the plan and note where the proposed TSEP bridge project fits into that plan.
15. Describe any locally funded bridge repair or replacement projects within the past three years? (For each project, include a brief description of what was accomplished, the total cost, and the amount and source(s) of funding.)

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM PRELIMINARY ENGINEERING REPORT

The applicant must provide a copy of a Preliminary Engineering Report (PER) in the TSEP application that includes a description of the improvements necessary to correct the identified deficiencies in the public facility. This report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. In the evaluation of the condition of the existing system, and subsequently in the description of alternatives considered to resolve the identified problems, the report should list and prioritize all of the problems associated with the condition of the system. The report should also provide an approximate schedule of when those improvements to the system will occur. **See the Uniform Application Supplement for Montana Public Facility Projects, Second Edition for an outline of the information required in the PER.**

Statutory Priorities #1 and #3 will be scored based upon the information contained in the applicant's PER. Applicants are only required to address those priorities if they are providing additional information that they believe has an impact on how the priorities will be scored. Portions of the PER may be incorporated or referenced in the narrative text. If the information required in the PER is not provided, and therefore, the report is deficient, it could result in the application not receiving as many points, and subsequently ranked down and possibly not funded.

Important Information for Bridge Applicants

The PER outline found in the Uniform Application Supplement for Montana Public Facility Projects, Second Edition does not address the technical analysis that is required for bridge projects. Applicants preparing a PER for a bridge project should address whether the county has assessed its overall bridge needs and has chosen the selected bridge(s) for this project based on a methodology that prioritizes its bridge needs.

Applicants submitting a TSEP application for a bridge project must follow the PER outline found on the following pages.

PRELIMINARY ENGINEERING REPORT OUTLINE FOR BRIDGE PROJECTS

I. Problem Definition

A. Location of Bridge(s). *Show location of bridge(s) using both large and smaller scale maps. Indicate legal and natural boundaries, major obstacles, elevations, etc, using maps, photographs, and sketches of the project area.*

B. Evaluate condition of existing bridge(s).

1. History – *Provide a brief history of the bridge(s), including when constructed and any major improvements.*
2. Condition of Bridge(s) – *Discuss the following issues:*
 - a. *In general terms, discuss the county's overall bridge needs. The condition and capacity, and suitability for continued use of all of the county's bridges should be assessed and needs rationally prioritized.*
 - b. *Specifically describe the present condition and capacity, and suitability for continued use of the bridges included in the proposed project. Include the MDT ratings (NBI Sufficiency Rating, NBI Bridge Appraisal Rating, and NBI Bridge Element Condition Rating) for the bridge(s) in addition to your narrative description explaining the condition of the bridge(s).*

Applicants that do not believe that the rating provided by MDT is an accurate reflection of the bridge's current condition, are encouraged to work with the MDT's Bridge Bureau to have bridge ratings changed prior to submitting the TSEP application. Applicant's claiming that the MDT rating is not an accurate reflection of the bridge's current condition will need to provide sufficient information documenting why the rating should be changed. The documentation should be prepared by individuals that have taken and passed the FHWA bridge inspectors training. Documentation submitted with the application will be provided to the MDT's Bridge Bureau for them to determine whether the bridge rating justifies being changed.

C. Describe the need for the project and the problems to be solved.

1. Health and Safety Issues - *Discuss the following issues:*
 - a. Current and future bridge standards - *Discuss any limitations on use of the bridge(s) as a result of weight limits.*

- b. Alternative routing options – Discuss the impact of closing the bridge and alternative routes available. Include the distances involved if an alternative route is required).
 - c. Impact on public and emergency services – Specifically discuss the impact that a closure would have on providing public and emergency services.
 - d. Safety considerations – Discuss any safety limitations imposed by the current bridge and how those issues would be resolved. Discuss any changes to approaches.
 - e. Utilities location or relocation – Discuss impact on utilities (if applicable).
 - f. Floodway – If the project is intended to resolve issues related to the floodway, discuss those issues in detail and include a hydraulics analysis.
2. Use of Bridge(s) - Discuss current use and any expected changes in the functional use of the bridge(s):
- a. Number of Users – Discuss number of vehicles using bridge(s). Include a traffic analysis. Also discuss any specific population dependent on bridge(s). Include number of households.
 - b. Population projections – Discuss any expected changes in population. Base population projections on historical records, or economic projections, with justification from recognized sources.
 - c. Intended use of the structure – Discuss any changes that might impact the use of the bridge(s).

II. Alternative Analysis (Provide the following information for each alternative bridge design.)

- A. Description.** Describe feasible technologies and design criteria.
- B. Schematic Layout.** Provide a schematic layout for the proposed bridge(s).
- C. Regulatory Compliance and Permits.** Describe compliance with appropriate federal, state, local or tribal requirements. Discuss any permits that will be required to complete the project.

D. **Land Requirements.** *Identify sites and easements required. Specify whether these properties are currently owned, to be acquired or leased, and whether options have been obtained contingent upon receipt of funding.*

E. **Environmental Considerations.** *For each alternative and for each proposed project site, discuss the following:*

1. *Affected Environment/Environmental Consequences* – *Describe and document the environmental resources of the area to be affected. The information collected through the Uniform Environmental Checklist is the basis for discussing environmental resources in the area that may be affected. The checklist must be attached as part of this report. If there has been a previous environmental assessment completed for the project area, please include a copy of the assessment in addition to the completed checklist. Identify each environmental resource that will be affected. At a minimum, address each of the following issues:*

- Land use/Important farm ground/formally classified lands
- Floodplains
- Wetlands
- Cultural Resources
- Biological Resources
- Water Quality Issues
- Access to, and quality of, recreational and wilderness activities, public lands and waterways, and public open space.
- Socio-economic/Environmental Justice Issues. *If the proposed project will be located in a minority or low-income community, analyze if the location of the proposed project will have, or will be perceived to have, disproportionately high adverse human health or environmental effects to the community. If the project will have no disproportionate effects, this should be stated. If the project will have, or may be perceived to have, disproportionately high or adverse human health or environmental effects to the community, the analysis must include a description of the efforts made to include minority and low-income populations into the MEPA/NEPA process.*

2. *Mitigation* - *Evaluate appropriate short and long-term measures to mitigate each potentially adverse impact. Define the mitigation measure(s) necessary to minimize adverse impacts to identified environmental resources.*

3. *Correspondence* – *Include any environmental related correspondence and agency comments as required by the Environmental checklist.*

4. *Exhibits/Maps* – *Include any exhibits or maps applicable to the environmental consequences.*

- F. **Construction Problems.** *Discuss unique concerns such as geotechnical considerations, limited access, or other conditions that may affect cost of construction of the bridge(s).*
- G. **Cost Estimates**
1. Project costs (i.e., administrative, financial, engineering, and construction costs)
 2. Present Worth Analysis - *Evaluate the cost-effectiveness of the bridge(s), considering capital and O&M costs, and expected life of the structure.*
 3. Proposed Sources of Funding – *Discuss potential funding for the project.*
- H. **Basis of selection of a preferred alternative.** *Provide a comparative analysis of all of the alternatives and briefly summarize the reasoning for selecting the preferred alternative over the other alternatives.*

III. **CONCLUSIONS AND RECOMMENDATIONS.** *Provide any additional findings and recommendations that should be considered in development of the project. This may include recommendations for special studies such as pilot studies, highlighting the need for special coordination, or recommending a plan of action to expedite project development, etc.*

It should be noted that the previous outline is by no means all-inclusive. The engineer should use professional judgement in presenting sufficient information during preparation of the report, taking into account that different types of bridges require varying levels of detail. **The engineer should provide thorough documentation wherever possible, using technical supporting information (reports, studies, lab analysis, photographs, etc.).**

Water Meters

In response to a suggestion from the Legislative Joint Long-Range Planning Subcommittee that reviews all TSEP projects, DOC proposed, and the Subcommittee endorsed, a policy on water meters for TSEP drinking water related projects. **It is the policy of TSEP to encourage the use of water meters wherever appropriate.** In many cases, and over the long-term, the installation of water meters, and instituting a fair billing system based on actual use and subsequent maintenance of meters, is one of the most prudent and cost-effective management and conservation steps local governments can take. Generally, the installation of meters also reduces long-term operational costs for a water system.

All local governments requesting TSEP funds for water system improvements, where meters are not currently being utilized, must include in their preliminary engineering report an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and their actual use. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. While local governments are not required to convert to a metering system as a precondition of receiving TSEP funds, local governments choosing not to convert to meters as part of the proposed project are expected to present a sound rationale why conversion is not feasible, appropriate, or cost effective.

When scoring applications, DOC will take into consideration whether the applicant has proposed to install meters. For those cases where meters are not proposed, the preliminary engineering report must provide a thorough analysis of converting to a water metering system and clearly demonstrate that the use of meters is not feasible, appropriate, or cost effective.

APPLICATION REVIEW PROCESS

A. INTRODUCTION

Under the TSEP statute, and policies established by the Governor and Legislature since 1993, **the review of TSEP applications by DOC is a two-step process.** In the first step of the review process, applications are evaluated and ranked based upon the extent to which the proposed project relates to each of the statutory criteria. In the second step of the review process, the applicant's proposed level of local financial participation is analyzed. This analysis is the basis for DOC's recommendation on the form and amount of funding for each project. The analysis is based on the premise that TSEP applicants should receive grant funds only if they are proposing a reasonable level of local financial participation. (See Appendix G, TSEP Application Flowchart for a graphic representation of the process a TSEP application goes through to be funded.)

B. STEP I - RANKING APPLICATIONS ON THE SEVEN STATUTORY PRIORITIES

The TSEP enabling statute requires DOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of statutory priorities.

The 1999 Legislature passed SB 170, which modified the statutory priorities used to score and rank proposed Treasure State Endowment Program projects. The legislation resulted in the following changes:

1. Closely related statutory priorities were consolidated, thereby eliminating duplication in the TSEP ranking criteria. Public health and safety issues previously addressed in priorities #1 and #2 were combined into a single priority. The old criteria essentially double counted the same issues in the ranking process, which some felt encouraged communities to let systems deteriorate in order to be more competitive. Closely related economic development issues previously addressed in priorities #7, #8 and #9 were also combined into a single priority.
2. By moving financial need from priority #5 to priority #2, the importance of financial need in awarding TSEP funds was given greater emphasis. Under the previous weighting of this priority, it was possible for an applicant to receive a high overall ranking score even though the community had sufficient financial resources to fund a project without TSEP assistance and was therefore not recommended for a grant.
3. A new statutory priority was created to evaluate how effective local governments are planning and managing their public facilities. The new priority replaced the previous language in statutory priority #4.

DOC proposed the changes in SB 170 to address concerns expressed by local governments and the Legislature's Joint Long-Range Planning Subcommittee since the inception of the program in 1993.

Each application will be scored based upon the extent to which the proposed project is consistent with each statutory priority, using five possible point levels. With the exception of Statutory Priority #2, each point level is assigned a definition that generally describes the requirements for being scored at that point level. Because of unique conditions that cannot be taken into account by the established definitions, the point level assigned may be modified to reflect the special circumstances. The five possible point levels are as follows:

**THE PROPOSED PROJECT IS THE MOST
RESPONSIVE TO THE STATUTORY PRIORITY**

Maximum Possible Points

Four-Fifths Possible Points

Three-Fifths Possible Points

Two-Fifths Possible Points

One-Fifth Possible Points

**THE PROPOSED PROJECT IS THE LEAST
RESPONSIVE TO THE STATUTORY PRIORITY**

**NOT APPLICABLE OR NEGLIGIBLE RELATIONSHIP
TO THE STATUTORY PRIORITY**

Zero Points



The total number of points assigned to each TSEP application will be based upon its cumulative score on the seven statutory priorities. A declining numerical score has been assigned by DOC to each succeeding statutory priority to reflect the order of priority for funding as established in 90-6-710, MCA. The TSEP statutory criteria and the numerical score for each are listed below, in order of priority.

Maximum Possible Points

**Statutory Priority #1
(Urgent and Serious Health or Safety Problems, or Compliance with
State or Federal Standards)**

1,000 Points

**Statutory Priority #2
(Greater Financial Need)**

900 Points

**Statutory Priority #3
(Appropriate Design and Long-Term Solution)**

800 Points

Statutory Priority #4 (Long-Term Planning and Management)	700 Points
Statutory Priority #5 (Obtains Funds from Other Sources)	600 Points
Statutory Priority #6 (Long-term, Full-time Jobs, Business Expansion, Tax Base)	500 Points
Statutory Priority #7 (Community Support)	400 Points
TOTAL MAXIMUM POSSIBLE POINTS	4,900 Points

C. TSEP STATUTORY PRIORITIES AND RANKING CRITERIA

The following section lists the seven statutory priorities used to score and rank TSEP projects, along with the major criteria that will be considered by DOC in evaluating each applicant's response. TSEP applicants are required to submit narrative responses that describes the relationship of their proposed TSEP project to each of the statutory priorities. However, some priorities can be scored using the information provided in the Uniform Application Form. For those priorities that have been identified as such, applicants are not required to provide a narrative response unless there is additional information that they believe would impact how the priority will be scored. Applicants should respond to each of the criteria individually.

In order to avoid unnecessary duplication, the applicant can reference other pertinent portions of the application or appendices in the narrative responses to the priorities. However, the applicant should not reference another portion of the application, such as the preliminary engineering report, without including a narrative statement that provides at least a summary of what is being referenced. For example, an applicant should not simply state "See page 4 of the Master Plan" as a response to a statutory priority.

STATUTORY PRIORITY #1

1,000 Possible Points

Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

This priority will be scored based upon the information contained in the applicant's preliminary engineering report. Applicants should reference pertinent sections of the preliminary engineering report in the narrative response.

- a. Does a serious deficiency exist in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply or does the community lack the facility or service entirely? *(Describe all deficiencies.)*

- b. Have serious public health or safety problems that are clearly attributable to a deficiency occurred, or are they likely to occur, such as illness, disease outbreak, substantial property loss, environmental pollution, or safety problems or hazards? *(Describe each public health or safety problem and indicate whether the problem has occurred or the degree to which it is likely to occur. It is important to provide supporting documentation showing that the public health or safety problems that are clearly attributable to a deficiency: 1) have occurred or 2) are imminent and not preventable through normal management practices.)*
- c. Is the problem existing, continual, and long-term, as opposed to occasional, sporadic, probable or potential? *(Describe the nature and frequency of occurrence. Provide supporting documentation to substantiate.)*
- d. Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Describe the number of residents affected by the problem.)*
- e. Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard (as opposed to a design standard)? *(If yes, describe the standard being violated.)*
- f. Does the standard that is being violated represent a significant threat to public health or safety? *(For each standard being violated as listed in e., identify which of the public health or safety problems as listed in b. are associated with it.)*
- g. Is the proposed TSEP project necessary to comply with a court order or a state or federal agency directive? *(If yes, describe the directive and attach a copy of it.)*
- h. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #2**900 Possible Points**

Projects that reflect greater need for financial assistance than other projects.

The information necessary to score this priority will be taken from the financial information submitted in the Uniform Application Form. Applicants do not need to provide any narrative response unless they are providing additional information that they believe has an impact on financial need.

This criterion will assess the applicant's need for financial assistance by examining each applicant's relative financial need compared to other applicants. The financial assessment

will determine whether an applicant's need for TSEP assistance is comparatively greater than other applicants.

Applicants will be ranked and points awarded using a computer-assisted financial assessment, which makes a comparative analysis of financial indicators. This process is conducted using two competitive ranking indicators that evaluate the relative financial need of each applicant. The analysis for the first indicator is common to all applicants, while the analysis for the second indicator depends on the type of project. Based on an applicant's relative financial need, an applicant can receive up to 900 points. The two indicators are:

Indicator 1. Economic Condition of Households Analysis

The first indicator analyzes the relative economic condition of households, and is used in the financial assessment of each applicant. This analysis consists of ranking each applicant in relation to:

- a. the dollar level of the community's Median Household Income (MHI);
- b. the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI); and
- c. the percent of persons at or below the level designated as Poverty.

MHI is calculated by the U.S. Bureau of the Census as the amount of household income above and below which the household incomes in a jurisdiction are equally distributed. In other words, there are as many households with incomes above MHI as there are below MHI.

In effect, this indicator provides a comparative measure of ability to pay for infrastructure and public services. Considering the applicant's MHI, in conjunction with the percent of persons existing at or below the levels of LMI and poverty, provides a means of identifying concentrations of population which have relatively less ability to pay for public services. Use of this indicator helps assure that grant award recommendations take into account pockets of low and very low-income persons in a community or county that would be extraordinarily burdened by increasing public utility rates and other governmental charges.

The first indicator accounts for 40 percent of the 900 points possible under Statutory Priority #2, or up to 360 points. The MHI accounts for 50 percent of the possible points for this indicator, with LMI and Poverty each accounting for 25 percent of the points. The points awarded in the economic condition of household analysis, are automatically computed and allocated based on a five level scoring system.

The data used in Indicator 1. Economic Condition of Households Analysis, will be compiled by the Department of Commerce from MHI, LMI, and Poverty statistics derived from the 1990 statewide data supplied by the U.S. Bureau of the Census or from analysis done by the U.S. Department of Housing and Urban Development based on Census data. TSEP applicants do not need to provide this information.

However, for some applicants, there is no census data currently available for the specific project area, except to use census data for the entire county or city. Use of census data for the entire county or city may not accurately reflect the economic condition of households within the project area. Examples of applicants that are not likely to have census data currently available for the specific project area would be county water and sewer districts or a project that encompasses a particular neighborhood within a city.

As a result, for projects that do not have census data currently available, TSEP will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area. Upon request, TSEP staff will compute the MHI, LMI and Poverty statistics for the project area and determine the local government's target rate. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers, that would help to locate the project area on the census maps.

For several months in 1999, DOC worked toward defining the boundaries of unincorporated communities throughout Montana, such as county water and sewer districts. These new designated census areas will be included in the next Census, which will result in census data being available for these areas in the future.

Indicator 2. Financial Analysis

The analysis of the second indicator consists of ranking each applicant based upon their proposed level of local financial participation in the project relative to their ability to finance the project without TSEP assistance and relative to other applicants' need for financial assistance. The type of analysis that is used is determined by the type of project. **The second indicator accounts for 60 percent of the 900 points possible under Statutory Priority #2, or up to 540 points.**

A. Water, Wastewater, or Solid Waste Projects

For water, wastewater, or solid waste projects, that collect user fees, "Target Rate Analysis" is used to rank each applicant based upon an applicants projected user rate as proposed in their application versus their predetermined benchmark or "target rate." Target user rates are based on a percentage of MHI. The points awarded in the target rate analysis, are automatically computed and allocated based on a five level scoring system. (For more information on target rate analysis, applicants should carefully review Appendix E, Target Rate Analysis for Water, Wastewater and Solid Waste Projects.)

New Target Rate Percentages: A new survey was recently completed of communities that have finished, or are in the process of completing (and have raised rates), improvements to their water and wastewater systems to ensure that their systems are in compliance with current standards. The survey found that the average monthly water and wastewater rates as a percentage of median household income increased. The average water system ratio went from 1.4% to 1.8% of MHI, the average wastewater ratio went from .8% to 1.2% of MHI, and the combined water/wastewater ratio went from 2.2% to 3% of MHI. **TSEP will use the new target rate percentages in the financial analysis.**

Note For Tribal Governments: An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to TSEP if individual users are not assessed fees. The equivalent amount will be based on the tribe's cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant's target rate. Other appropriate methodologies may be used to determine financial need for tribal applicants.

B. Bridge Projects

The financial analysis for bridge projects that are funded through property taxes must be approached in a manner different from water, wastewater and solid waste projects that are financed through user fees. Instead of target rate analysis, the analysis will be based on both the current and projected efforts by applicants to finance their bridge systems and their ability to fund their projects without TSEP assistance. The financial analysis for bridge applicants is primarily based on two indicators; however, additional information will also be used to determine the score provided on the financial analysis.

The first indicator measures the residential property tax burden (per household) as a percentage of the county's MHI. This is accomplished by evaluating the residential portion of both the county property tax levy for bridges and the total county mill levy, as a percentage of MHI. The purpose of this indicator is to measure the property tax burden on residential taxpayers relative to other counties, and more specifically, the residential property tax burden related to taxes being levied for bridges. By looking at what counties were levying for bridges in 1998, DOC research has determined that the median county property tax levy for bridges statewide is approximately equal to .04% of a county's MHI. The median is computed using only those counties that use some local property tax revenues to fund their bridge systems. For counties with an all-purpose levy, the financial analysis will use that portion of the levy that is used for its bridge system. In order for a county to be competitive in the financial analysis, it should be currently levying for bridges, and/or have committed to levying for bridges in the next budget year, an amount equal to or greater than .04% of a county's MHI. The state median in 1997 for the total residential property tax burden is 2.93% of a county's MHI. Counties that are levying an amount equal to or greater than the state median will also be more competitive in the financial analysis.

The state medians, for both the residential bridge levy as a percent of MHI and the total residential mill levy as a percent of MHI, are based on the most current data available from the Montana Department of Revenue (1997 calendar year).

The second indicator measures the effects of changes in the applicant's ability to levy taxes. This is accomplished by evaluating changes in mill value, number of bridge mills levied, and the actual bridge levy. This indicator is evaluated if an applicant cannot commit to levying for bridges in the next budget year, an amount equal to or greater than .04% of the county's MHI. If a county's bridge levy will be less than .04% of the county's MHI, DOC will evaluate decreases in the county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at previous levels.

In addition to the two indicators discussed above, additional information from the county is also evaluated in order to provide a more complete picture of what it is doing to fund its bridge system. The types of information that will also be used to evaluate the relative financial need of counties include:

- whether the county is using non-property tax revenues for its bridge system;
- whether the county has inventoried all of its bridges;
- whether the county has prepared a countywide capital improvements plan for bridges;
- whether the county has established a depreciation reserve fund for bridges;
- whether the county has worked with other entities (such as private land owners, state or federal agencies, local businesses, etc.) to develop cooperative strategies for addressing bridge needs; and
- an analysis of the county's bridge budget as a percent of need (based on the estimated cost to replace or rehabilitate specific county bridges in need as identified by the Montana Department of Transportation).

A complete list of the questions used to obtain the additional information requested from counties is provided in Appendix B. A county's use of the techniques listed above to finance its bridge system will help the county to be more competitive in the financial analysis. The points awarded for the financial analysis of bridge projects are allocated based on a five level scoring system. The score awarded is based on the TSEP staff's analysis and is manually incorporated into the financial assessment.

Bridge applicants will only be compared to other bridge applicants in the financial analysis. As a result, the score given to a bridge applicant on the financial analysis represents that applicant's financial need relative to other bridge applicants.

C. Other Projects

The financial analysis for solid waste, storm sewer, and other types of projects that are funded through property taxes will be analyzed in a manner similar to bridge projects, by evaluating both the current and projected efforts by applicants to finance their solid waste and storm sewer systems and their ability to fund their project without TSEP assistance. **Local officials considering an application for these types of projects are encouraged to contact TSEP staff to discuss the project and what information will be required to conduct a financial analysis.**

Final Competitive Ranking Score on Statutory Priority #2: Results from Indicators 1 and 2 are added together to determine an applicant's final score on Statutory Priority #2.

Applicants that have undergone dramatic economic or demographic changes since the 1990 Census should provide detailed information explaining the changes.

Depending on the extent of the changes, applicants may be recommended to receive a greater number of points than would otherwise be recommended if only the 1990 census information were used to determine points. At a minimum, applicants should provide information concerning the closure or restructuring of industries essential to the area's economy, population loss, and changes in unemployment, underemployment and per capita income rates.

Parts of the financial assessment conducted for Statutory Priority #2 will also be used in the analysis that is the basis for DOC's recommendations regarding the form and amount of financial assistance to be awarded each project. For more information, see page 62 "Step II - Financial Assistance Analysis."

IMPORTANT: The financial section of the Uniform Application Form for Montana Public Facility Projects should be accurately completed, since that information is used to conduct the financial analysis and scoring of applications on priority #2.

Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

This priority will be scored based upon the information contained in the applicant's Preliminary Engineering Report (PER) and environmental checklist. Applicants should reference pertinent sections of the PER in their narrative response.

- a. Does the PER provide all of the information as required by the Uniform PER outline, and did the analysis address the entire system in order to identify all potential deficiencies? *(The PER should contain all of the information as specified in the Uniform PER outline, and should comprehensively examine the entire system in order to identify all potential deficiencies.)*
- b. Does the proposed project completely resolve all of the deficiencies identified in the PER? If not, does the proposed project represent a complete component of a long-term master plan for the facility or system, and what deficiencies will remain upon completion of the proposed project? *(If any deficiencies will remain upon completion of the proposed project, provide a plan for when those deficiencies will be resolved.)*
- c. Are the deficiencies to be addressed through the proposed project the deficiencies identified with the most serious public health or safety problems? If not, explain why the deficiencies to be addressed through the proposed project were selected over those identified with greater public health or safety problems. *(If the applicant has not chosen to resolve the most serious public health or safety problems, it should provide justification for the proposed project.)*
- d. Were all reasonable alternatives thoroughly considered, and does the technical design proposed for the alternative chosen represent an efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project? *(The PER must provide an analysis of all reasonable alternatives in sufficient detail to justify the alternative chosen.)*
- e. Does the technical design proposed thoroughly address the deficiencies selected to be resolved and provide a reasonably complete, cost-effective and long-term solution?
- f. Are all projected costs and the proposed implementation schedule reasonable and well supported?

- g. Have the potential environmental problems been adequately assessed? Are there any apparent environmental or technical problems that could delay or prevent the proposed project from being carried out or which could add significantly to project costs? *(The Uniform Environmental Checklist must be properly completed so that all potential environmental problems have been adequately assessed. All environmental concerns, noted in the Uniform Environmental Checklist, must be addressed in the PER when examining each of the alternative solutions.)*
- h. For projects involving community drinking water system improvements, has the conversion to a water metering system for individual services been thoroughly analyzed and has the applicant decided to install meters? In those cases where individual service connection meters are not proposed, has the applicant's PER thoroughly analyzed the conversion to a water metering system and persuasively demonstrated that the use of meters is not feasible, appropriate, or cost effective?
- i. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #4**700 Possible Points**

Projects that reflect substantial past efforts to ensure sound, effective long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

- a. Have there been substantial past efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting, and if necessary, by raising taxes, hook-up charges, user charges or fee schedules to the maximum reasonable extent? *(Describe all efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting. Describe how capital improvements plan (CIP) is utilized in conjunction with the local government's budget process. Describe efforts to keep CIP current through annual updates or periodic revisions. If a CIP has been adopted, attach a copy of it. Also, provide a history of increases to rates and hook-up charges, or any other increases that would provide funds for improvements to the system.)*
- b. Have reasonable operation and maintenance budgets and practices been maintained over the long-term, including adequate reserves for repair and replacement? *(Provide a description and history of the system's operation and maintenance budgets and practices.)*
- c. If there are indications that the problem is not of recent origin, or has developed because of inadequate operation and maintenance practices in the past, has the applicant thoroughly explained the circumstances and described the actions that management will take in the future to assure that the problem will not reoccur? *(If the*

deficiencies are a result of inadequate operation and maintenance practices or have been present for more than two years, explain the circumstances and describe the actions that will be taken in the future to assure that the problem will not reoccur.)

- d. Has the applicant demonstrated a long-term commitment to comprehensive planning in order to provide public facilities and services that are adequate and cost effective? *(Describe all other planning related efforts that have been utilized to help ensure that the applicant's public facilities and services are adequate and cost effective.)*
- e. For projects involving drinking water system improvements, has the applicant installed individual service connection meters to encourage conservation and a more equitable assignment of user costs, and has the applicant adopted and implemented a wellhead protection plan for ground water.
- f. Is the proposed project consistent with current plans (such as a local capital improvements plan, growth management plan or any other development related plan) adopted by the applicant?
- g. In cases where the applicant has received state or federal grants or loans for public facility improvements, did the applicant adequately perform its project management responsibilities as required by the funding programs? *(List all state or federal programs that have provided grant or loan funds for previous public facility improvements.)*
- h. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #5

600 Possible Points

Projects that enable local governments to obtain funds from sources other than TSEP.

This priority will be scored in part based upon the information contained in the applicant's Uniform Application Form. **Applicants should provide additional information concerning other funding sources that were not chosen to help finance the project,** or any other information that the applicant believes important that may impact how this project may be scored.

- a. Has the applicant made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project? *(At a minimum, each appropriate public funding source should be discussed, and whether the applicant is eligible to apply to it and if not why, when the applicant would apply to it, or why the applicant does not plan to apply to it.)*

- b. Is TSEP's participation in the proposed project essential to obtaining funds from sources other than TSEP? *(Describe situations where obtaining specific funds are dependent upon receiving TSEP funds because other sources of funds are not available.)*
- c. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #6

500 Possible Points

Projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain or encourage expansion of the tax base.

- a. Will the proposed TSEP project directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans? *(Describe any long-term, full-time jobs for Montanans that would be directly created or retained as a result of the proposed project [other than those related to the construction or operation of the system]. The narrative should describe the number of jobs, the businesses where the jobs would exist, and how the proposed project directly relates to their creation or retention. Provide documentation as applicable.)*
- b. Will the proposed TSEP project directly result in a business expansion? Is the business expansion dependent upon the proposed project in order to proceed? *(Discuss any businesses that have proposed to expand, and why they are dependent upon the proposed project to proceed.)*
- c. Has the applicant provided a business plan for the specific firm(s) to be expanded as a result of the proposed TSEP project? If yes, is it a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted by the proposed public facilities has a high potential for financial success if TSEP funds are received? *(Submit a business plan and financial exhibits for each business to be expanded as a result of the proposed TSEP project. The plan should follow the format as set out in the most recent edition of the Montana Community Development Block Grant (CDBG) Program Application Guidelines for Economic Development Projects.)*
- d. Will the proposed TSEP project maintain or encourage expansion of the private property tax base? *(Describe how the proposed TSEP project will maintain or encourage expansion of the private property tax base, and provide documentation if available.)*

- e. In situations where a private sector alternative could be reasonably appropriate and capable of providing a long-term, cost-effective solution, did the applicant seriously evaluate the option of utilizing the private sector to resolve the identified public facility problem? *(Describe your evaluation of whether the private sector could be utilized to resolve the identified public facility problem.)*
- f. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #7**400 Possible Points****Projects that are high local priorities and have strong community support.**

- a. Has the applicant encouraged active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project with the affected community residents? *(Describe and provide documentation of your efforts to encourage active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project with the affected community residents. Documentation could include copies of public hearing advertisements and announcements, agendas, minutes, newspaper articles, etc.)*
- b. Has the applicant informed local citizens and affected property owners of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project? *(Provide documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project. Documentation could include minutes, newspaper articles, etc.)*
- c. Has the applicant assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan (or other comparable plan), and is the proposed TSEP project a high priority of that plan? *(Describe and provide documentation that the applicant has assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan, and that the proposed TSEP project is a high priority of that plan. Documentation could include copies of public opinion surveys, growth management plans, needs assessments, CIP's, facility plans, system master plans, etc).*

- d. Are the local citizens and affected property owners in support of the project?
(Describe and provide documentation that local citizens and affected property owners are in support of the project. Documentation could include copies of public opinion surveys, petitions, letters of support, etc.)
- e. Is there any other pertinent information that might influence the scoring of this statutory priority?

In its narrative response to Statutory Priority #7, each applicant should describe its efforts to assure citizen participation in the selection of the proposed project and document local awareness of, and support for, the proposal.

Applicants must have at least one advertised public hearing or meeting in the area of the project, not more than 12 months prior to the date of the application, to inform local citizens and affected property owners regarding the key components and costs of the proposed project and the amounts of any anticipated increases in user charges or assessments that will result from the proposed project, **including the estimated cost per household.** Applicants should take active measures to alert local citizens and affected property owners that a public hearing or other informational meeting will occur. Hearings or meetings should be scheduled at times and at locations that are convenient for the average citizen. It is important that the public is informed and has an opportunity to comment on the project.

In order to obtain the maximum points possible, applicants should provide adequate documentation to substantiate their citizen participation efforts. Copies of public hearing advertisements, agendas and minutes, along with newspaper articles, public opinion surveys, petitions, and letters of support should be submitted to demonstrate that the public has been adequately informed, and that local residents are in support, of the proposed project.

STEP II - FINANCIAL ASSISTANCE ANALYSIS

During the original legislative discussion of TSEP, many legislators stated that TSEP applicants should make the maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project. There was also a strong agreement among local officials and legislators that participated in the public hearings on the original TSEP program, that communities should participate in the funding of any public facility project in proportion to their financial resources. In response to this consensus, the policy established by the Governor and the Legislature since 1993, has been that TSEP funds should only be awarded for projects where the applicant is unable to obtain appropriate financing to keep the resulting new user rates, special assessments, or taxes reasonably affordable for local citizens.

The major challenge is to try to define a "reasonable local effort" for TSEP applications. These guidelines utilize a variety of financial indicators for analyzing local financial capability as suggested by local officials. The financial indicators are used to analyze whether an applicant needs a TSEP grant to make the applicant's project financially feasible and affordable for the citizens or whether the applicant could fund additional debt capacity from a loan or bond financing from another source that would provide feasible and affordable financing for the project. None of the indicators viewed individually may give a clear picture of the applicant's need for TSEP assistance. However, when taken together, they do provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant. This financial analysis is used to ensure that applicants are funding their fair share of the project.

The "target rate" methodology used in the financial analysis for water, wastewater and solid waste projects has been developed over a period of many years, and is utilized by all of the Montana public facility funding agencies. However, the type of financial analysis needed by DOC for bridges is a new concept, and is therefore pioneering work. DOC has been researching ways to conduct the analysis since 1995. The methodology used in DOC's financial analysis for bridges is relatively new and will continue to be refined for the next few years.

A. Water, Wastewater and Solid Waste Projects

For water, wastewater, solid waste, and other projects funded by user fees, calculations are conducted, based on rate and system information supplied by applicants, to determine if the applicant will be above or below its "target rate." The financial analysis is based on the combined user fees of water and wastewater systems within the applicant's jurisdiction, or on the user fees of the system for which funds are requested, if the applicant has only one type of system. The analysis for solid waste systems is based on the user rates for that system alone. Applicants with proposed water, wastewater, or solid waste projects with user fees should carefully review Appendix E, which explains the concept of target rate analysis.

If an applicant's actual rates, after implementation of the TSEP project, would be less than the target rate, the next step is to determine the amount of additional funds the applicant should have the ability to borrow for the project in place of TSEP grant funds. In other words, the analysis looks

at whether the applicant has unused debt capacity which could be substituted for the requested TSEP grant. If it can be reasonably concluded that an applicant has some capacity to borrow, TSEP staff subtracts the amount of borrowing capacity from the grant request to determine the amount of the recommended TSEP grant award, if any. **In accordance with a motion passed by the Legislature's Long-Range Planning Subcommittee in 1999, the applicant's actual rates, after implementation of the TSEP project, should be at or above the target rate to be recommended for and awarded a grant.** If the applicant has sufficient debt capacity to finance the amount requested from TSEP such that the resulting increased user fees appear reasonably affordable for local citizens, DOC will not recommend grant funding for the applicant. In the event an applicant has unique constraints on its capacity to incur debt for the system, which would prevent it from reaching the recommended target rate, it should provide documentation from a recognized bonding firm, bond counsel, or qualified financial consultant to substantiate the limitation on its borrowing capacity.

New Target Rate Percentages: A new survey was recently completed of communities that have finished, or are in the process of completing, improvements to their water and wastewater systems to ensure that their systems are in compliance with current standards. The survey found that the average monthly water and wastewater rates as a percentage of median household income increased. The average water system ratio went from 1.4% to 1.8% of MHI, the average wastewater ratio went from .8% to 1.2% of MHI, and the combined water/wastewater ratio went from 2.2% to 3% of MHI. **TSEP will use the new target rate percentages in the financial analysis.**

Additional Debt Capacity Allowance Eliminated: The financial analysis methodology no longer allows for an additional debt capacity allowance, based on the number of households. This change is the result of a motion passed by the Legislature's Long-Range Planning Subcommittee, which recommended that TSEP applicants should not receive grant funds if user rates are not at or above the target rate. In addition, DOC originally adopted using the additional debt capacity allowance because the analysis was new and untried. However, after using the analysis for the past three legislative sessions, DOC has noted that TSEP applicants are generally well above the target rate.

Note For Tribal Governments: An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to TSEP if individual users are not assessed fees. The equivalent amount will be based on the tribe's cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant's target rate. Other methodologies may be used to determine financial need.

B. Bridge Projects

The financial analysis for bridge applicants is primarily based on two indicators, however, additional information is also used to determine the amount of funding that might be awarded. The first indicator measures the residential property tax burden as a percentage of the county's median household income (MHI). The second indicator measures the effects of changes in the applicant's ability to levy property taxes.

Important - applicants with bridge projects need to complete the form SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY provided on pages 38 through 40.

In order for an applicant with a bridge project to receive a recommendation by DOC for full funding under the financial analysis, a county should be currently levying for bridges, and/or have committed to levying for bridges in the next budget year, an amount equal to or greater than .04% of a county's MHI. However, if a county is levying an amount less than .04% of a county's MHI, DOC will take into consideration a county's non-property tax revenues that it is using to fund its bridge system. For counties that use an all-purpose levy, the financial analysis will use that portion of the levy that is used for its bridge system. If a county's bridge levy will be less than .04% of the county's MHI, DOC will also evaluate decreases in the county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at previous levels.

Another factor that can affect the amount of funding that may be recommended is how much a county's residential property tax levy is in total calculated as a percent of the county's MHI. If a county's total residential property tax levy, calculated as a percent of the county's MHI, is less than the state median property tax levy of 2.93%, the county could potentially be considered a candidate for voter approved funding strategies such as special improvement districts, general obligation bonds or additional mill levies to help meet bridge needs. **The amount of the grant award recommendation for bridge applicants is based on the degree to which counties have funded their bridge system, as indicated by the financial analysis.**

The state medians, for both the residential bridge levy calculated as a percent of MHI and the total residential mill levy calculated as a percent of MHI, are based on the most current data available from the Montana Department of Revenue (1997 calendar year).

SUMMARY

In order to receive a recommendation for a TSEP grant, the applicant must demonstrate that it is funding its fair share of the project, and the local government must rank sufficiently higher than other applications on the seven statutory priorities in order to be in a position to receive some of the limited available grant funds.

Grant funding for water, wastewater, and solid waste projects typically will not be recommended for applicants that propose user rates for their communities that would be below the target rate.

Full grant funding for bridge projects is unlikely to be recommended for applicants unless the county is committed to levying for bridges an amount equal to or greater than .04% of the county's MHI. However, DOC will take in account the use of non-property tax revenues and changes in the county's ability to levy taxes.

TARGET RATE ANALYSIS FOR WATER, WASTEWATER AND SOLID WASTE PROJECTS

Because of the importance of "target rate analysis" in the ranking of TSEP applications for water, wastewater and solid waste projects, applicants should contact the TSEP staff to ensure that the applicant is using the correct target rate in their financial analysis of the project.

"Target rate analysis" is a key part of the financial assessment for water, wastewater and solid waste projects. It is used by DOC to help determine the amount of grant funds a community needs to bring its user rates, resulting from an improvement to a water, wastewater, or solid waste project, to a reasonably affordable level for its citizens. The idea of "target rates" is based on the concept that the ability of a family (or individual) to pay a particular user rate is related to the overall median income level in a community, and that communities with higher median incomes can afford higher rates than those with lower median incomes. This approach has been used by USDA Rural Development Program (formerly known as Farmers Home Administration), and the DOC Community Development Block Grant (CDBG) Program, for many years.

Target user rates have been determined through an analysis of the average, monthly water and wastewater rates paid by Montana communities which have recently improved their water or sewer systems and the percentage of their combined rates versus their Median Household Income (MHI). TSEP utilizes combined rates for water and wastewater systems whenever appropriate to ensure that analysis of low rates for an area's water system does not ignore high rates that are charged for the wastewater system (or vice versa), thereby understating an applicant's need for financial assistance. For communities with a water or wastewater system but not the other, only the target rate for that system will be used. Target rate analysis of solid waste systems will consider rates for that service alone.

A community's target rate for a water or wastewater system is computed by multiplying the community's MHI by the combined target percentage (3%) to measure residential households' ability to pay combined water and wastewater rates (1.8% for water systems plus 1.2% for wastewater systems equals 3%). For communities with only one system, only the target percentage for that system (1.8% for water systems and 1.2% for wastewater systems) is used to compute the target rate. A community's target rate for a solid waste system is computed by multiplying the community's MHI by the target percentage (.4%) to measure residential households' ability to pay solid waste rates. Furthermore, DOC will use only 90 percent of the target rate as the basis for comparison against actual rates, in order to provide applicants with some remaining capacity to meet future emergencies or facility needs that may be unknown at this time.

New Target Rate Percentages: A new survey was recently completed of communities that have finished, or are in the process of completing, improvements to their water and wastewater systems to ensure that their systems are in compliance with current standards. The survey found that the average monthly water and wastewater rates as a percentage of median household income increased. The average water system ratio went from 1.4% to 1.8% of MHI, the average wastewater ratio went from .8% to 1.2% of MHI, and the combined water/wastewater ratio went from 2.2% to 3% of MHI. **TSEP will use the new target rate percentages in the financial analysis.**

For example, if a community had an annual MHI of \$21,000, this figure is multiplied by 3% and then multiplied by 90%. The sum is then divided by twelve months to determine the community's combined monthly target rate (for water and wastewater) of \$47.25 per month ($\$21,000 \times 3\% \times 90\% = \567 divided by 12 months = \$47.25 per month). If a community only had a water system and no wastewater system, the target rate would be \$28.35 per month ($\$21,000 \times 1.8\% \times 90\% = \340 divided by 12 months). If a community only had a wastewater system and no water system, the target rate would be \$18.92 per month ($\$21,000 \times 1.2\% \times 90\% = \227 divided by 12 months).

A table is provided at the end of this appendix that lists incorporated municipalities and unincorporated census designated places (CDP), and their respective target rates. **(Note: this table is not included, but will be provided in the final document.)** The target rates are based on the MHI figures obtained from the most recent version of the statewide data supplied by the U.S. Bureau of the Census. For each listing the following is provided: Median Household Income (MHI), combined water and sewer target rate, water only target rate, and sewer only target rate. Applicants are strongly encouraged to contact the TSEP staff to verify that the applicant is using the correct data.

Example of Target Rate Analysis: With and Without TSEP Assistance

The following example illustrates the target rate concept applied to a hypothetical community. The Rivers Edge Water and Sewer District, which serves 492 households, is in violation of the Federal Safe Drinking Water Act because of various contaminants. The District plans to make several improvements to the water storage and distribution system. Residents are already paying \$15.25 per month to pay for an existing loan for a previous project to improve their wastewater system, plus operating and maintenance costs of \$10 per month for the water and wastewater systems. The District does not have the borrowing capacity to fund the necessary improvements without TSEP assistance and is requesting a TSEP grant in the amount of \$500,000. The District's combined target affordable rate is approximately \$47.25 per month per household. (\$21,000 MHI multiplied by .03, divided by 12 months, and multiplied by .90).

The following assumptions are made for the example below:

- Included in the user rates of the proposed debt are: \$15,000 for costs of issuance; 10% debt service reserve; and 25% debt service coverage costs of the annual debt service payment.
- The "Cost of Issuance" includes bond counsel, financial advisor, official statement printing,

bond sale advertisement, and bond printing.

EXAMPLE WITHOUT TSEP ASSISTANCE

Estimated Project Cost	\$2,380,000
Cost of Bond Issuance	+\$ 15,000
	<u>\$2,395,000</u>
Reserve Required	x 1.10
Total Financial Need	<u>\$2,634,500</u>

Interest Rate: 5%

Term: 20 Years

Base Annual Debt Service: \$208,652

Debt Service Coverage: x 1.25

Total Annual Debt Service \$260,816

\$260,816 / 12 months / 492 users = \$44.18 projected monthly user rate increase to finance new water system improvements.

\$44.18 projected rate + \$15.25 existing debt + \$10.00 projected operating and maintenance costs (water and wastewater system) = \$69.43 total monthly user rate.

Without a TSEP grant, the combined water and wastewater rates would be \$69.43 per month per household, which is considerably above the target rate of \$47.25 per month per household (147% of target rate). Without a TSEP grant, local residents will pay an additional \$111 per household per year. This community clearly needs TSEP assistance to make the project more affordable.

EXAMPLE WITH TSEP ASSISTANCE

Estimated Project Cost	\$ 2,380,000
TSEP Grant	- \$ 500,000
Financing Need	<u>\$ 1,880,000</u>
Cost of Bond Issuance	\$ 15,000
	<u>\$ 1,895,000</u>
Reserve Required	x 1.10
Total Financial Need	<u>\$ 2,084,500</u>
Interest Rate: 5%	
Term: 20 years	
Base Annual Debt Service:	\$ 165,092
Debt Service Coverage: x 1.25	
Total Annual Debt Service	<u>\$ 206,366</u>

\$206,366 / 12 months / 492 users = \$34.95 projected monthly user rate increase to finance new water system improvements.

\$34.95 projected rate + \$15.25 existing debt + \$10.00 projected operating and maintenance costs

(water and wastewater system) = \$60.20 total monthly user rate.

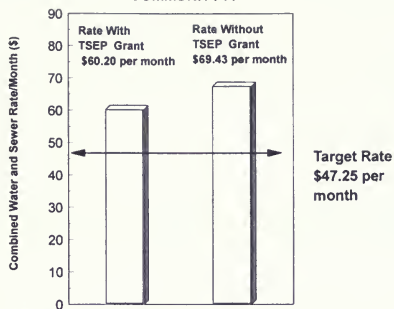
With the TSEP grant, the combined water and wastewater rates would be \$60.20 per month per household, which is still above the target rate of \$47.25 per month per household (127% of target rate). Therefore, a TSEP matching grant would be recommended, since this community still needs TSEP assistance to keep the project affordable. A chart on page 71 graphically represents this community's need for TSEP assistance (see Community A).

In conclusion, Community A in this example has a serious affordability problem for its citizens if a TSEP grant is not received. Without a TSEP grant, the combined water and wastewater rates would be considerably above the target affordable combined rate, and the project may not be affordable for local residents to build. Even with the TSEP grant, the combined water and wastewater rates would be above the target affordable combined rate, however, the project should be more reasonably affordable for local residents.

For comparison, a second community's financial situation is also presented on the bottom chart on page 71. Community B, which is planning a \$500,000 project, has the same number of system users, current debt and projected O&M as Community A. However, it does have a higher MHI which results in Community B's target rate being higher. As a result, even though Community B is only requesting a \$200,000 TSEP grant, Community B's projected combined monthly water and sewer rates are clearly below the target rate (only 72% of target rate). This community does not have an affordability problem for its citizens if a TSEP grant is not received, and as a result, a TSEP grant would probably not be recommended unless the community could clearly show that they do not have the ability to borrow the funds in place of the TSEP grant.

In order to determine whether a proposed project would create an affordability problem for local residents, the user rates for the proposed project, with and without a TSEP grant, must be calculated. TSEP staff can assist applicants by making these calculations. Based on this analysis, applicants for TSEP matching grants should propose a funding strategy or financial package for their project where the proposed TSEP grant request, in combination with other matching funds, is the minimum needed to achieve a user charge equivalent to the recommended target rate to make the project reasonably affordable for local residents.

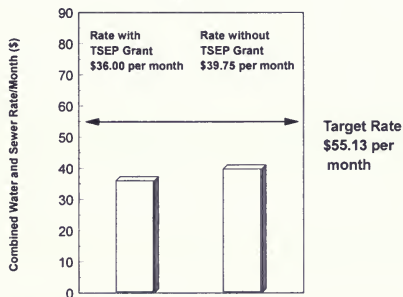
COMMUNITY A



Median Household Income (MHI)	\$21,000
Target Rate	\$47.25
Rate with TSEP grant (monthly)	\$60.20
Rate without TSEP grant (monthly)	\$69.43

TSEP grant funding is recommended for Community A since it is above the target rate (147%).

COMMUNITY B



Median Household Income (MHI)	\$24,500
Target Rate	\$55.13
Rate with TSEP grant (monthly)	\$36.00
Rate without TSEP grant (monthly)	\$39.75

TSEP grant funding is not recommended for Community B since it is below the target rate (only 72%). Recommend a loan or no funding instead of grant funds.

CALCULATING "TARGET RATES" FOR WATER OR WASTEWATER PROJECTS FINANCED WITH SID OR RID ASSESSMENTS

To date, most applicants for TSEP matching grants for water or wastewater projects have used TSEP funds in conjunction with revenue bonds to finance the improvements. In these cases, monthly user fees typically cover the cost of both debt service (repayment of the borrowed funds plus interest) and the cost of operating and maintaining the system. An alternative financing method would be to have a bond or loan repaid through Special Improvement District (SID) or Rural Improvement District (RID) assessments on property rather than through user charges.

In response to requests from legislators and local officials, TSEP allows SID/RID assessments to be used in the calculation of target rates. In order to determine the equivalent of a monthly user charge, the annual SID/RID assessment to pay for the cost of the proposed project, plus any pre-existing debt service, will be divided by the total number of hook-ups and then divided by 12 months. The projected monthly cost for operation and maintenance expenses will also be added to this figure. This amount can then be compared to the applicant's median household income (MHI) in the same manner as conventional user charges are in order to establish the applicant's target rate. The applicant's MHI will be computed using census tract data that most closely incorporates the area of the SID/RID.

Applicants considering a project involving a SID or RID should contact TSEP staff to discuss the project prior to submitting a TSEP application.

In addition, the 1999 Legislature passed a bill that allows county water and sewer districts to levy special assessments against property located in the district and benefited by any of its improvements, to be used for the pledge of payment of bonds issued for the improvements. These special assessments can be levied in conjunction with fees for the use of the services provided by the services provided by the district.

Applicants that have undergone dramatic demographic or economic changes since the 1990 Census information should provide detailed information describing the changes.

Depending on the extent of the changes, applicants may be recommended to receive a greater number of points than would otherwise be given if the 1990 Census information were used to determine points.

At a minimum, applicants should provide information concerning the closure or restructuring of industries essential to the area's economy, population loss, and changes in unemployment, underemployment and per capita income rates.

Note For Tribal Governments: An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to TSEP if individual users are not assessed fees. The equivalent amount will be based on the tribe's cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant's target rate. Other appropriate methodologies may be used to determine financial need for tribal governments.

Applicants are encouraged to contact TSEP staff in order to have their target rates calculated or verified. DOC will provide to local governments their computed target rates.

If the proposed user rates would be below the target rate, after preparing a preliminary financial package to construct the proposed project, applicants should discuss their proposed projects with DOC staff. **Grant funding will not be recommended for projects that would result in user charges below the target rate.**

ESTIMATED TARGET RATES FOR MUNICIPALITIES AND CENSUS DESIGNATED PLACES (CDP)
MONTANA DEPARTMENT OF COMMERCE OCTOBER, 1999

PLACE NAME	POPULATION 1990	HOUSEHOLDS	1989 MEDIAN HOUSEHOLD INCOME (MHI)	TARGET COMBINED RATE Prod=.03xMHI Div=Prod / 12. Ans=Div x .90	TARGET WATER RATE Prod=.018xMHI Div=Prod / 12. Ans=Div x .90	TARGET SEWER RATE Prod=.012xMHI Div=Prod / 12. Ans=Div x .90
CDP is an unincorporated area All other places are incorporated municipalities						
Absarokee CDP	1,067	428	\$26,602	\$59.85	\$35.91	\$23.94
Alberton town	354	129	\$21,125	\$47.53	\$28.52	\$19.01
Anaconda-Deer Lodge County	10,278	4,060	\$20,281	\$45.63	\$27.38	\$18.25
Arlee CDP	489	193	\$19,917	\$44.81	\$26.89	\$17.93
Ashland CDP	484	131	\$12,222	\$27.50	\$16.50	\$11.00
Bainville town	165	72	\$22,917	\$51.56	\$30.94	\$20.63
Baker city	1,818	716	\$25,000	\$56.25	\$33.75	\$22.50
Bearcreek town	37	15	\$15,625	\$35.16	\$21.09	\$14.06
Belgrade city	3,411	1,208	\$22,044	\$49.60	\$29.76	\$19.84
Belt city	571	252	\$18,056	\$40.63	\$24.38	\$16.25
Big Sandy town	740	306	\$24,167	\$54.38	\$32.63	\$21.75
Big Timber city	1,557	671	\$18,125	\$40.78	\$24.47	\$16.31
Billings city	81,151	33,181	\$25,639	\$57.69	\$34.61	\$23.08
Bonner-West Riverside CDP	1,669	648	\$16,509	\$37.15	\$22.29	\$14.86
Boulder town	1,316	462	\$20,536	\$46.21	\$27.72	\$18.48
Bozeman city	22,660	8,751	\$19,168	\$43.13	\$25.88	\$17.25
Bridger town	692	280	\$16,742	\$37.67	\$22.60	\$15.07
Broadus town	572	236	\$22,321	\$50.22	\$30.13	\$20.09
Broadview town	133	50	\$25,938	\$58.36	\$35.02	\$23.34
Brockton town	365	93	\$13,375	\$30.09	\$18.06	\$12.04
Browning town	1,170	373	\$13,750	\$30.94	\$18.56	\$12.38
Busby CDP	409	117	\$8,113	\$18.25	\$10.95	\$7.30
Butte-Silver Bow (remainder)	33,336	13,651	\$21,307	\$47.94	\$28.76	\$19.18
Cascade town	729	295	\$19,659	\$44.23	\$26.54	\$17.69
Charlo CDP	358	139	\$22,000	\$49.50	\$29.70	\$19.80
Chester town	942	391	\$22,500	\$50.63	\$30.38	\$20.25
Chinook city	1,512	682	\$19,276	\$43.37	\$26.02	\$17.35
Choteau city	1,741	748	\$19,482	\$43.83	\$26.30	\$17.53
Circle town	805	315	\$20,150	\$45.34	\$27.20	\$18.14
Clyde Park town	282	106	\$14,306	\$32.19	\$19.31	\$12.88
Colstrip CDP	3,035	995	\$42,467	\$95.55	\$57.33	\$38.22
Columbia Falls city	2,942	1,139	\$23,328	\$52.49	\$31.49	\$21.00
Columbus town	1,573	627	\$19,914	\$44.81	\$26.88	\$17.92
Conrad city	2,891	1,124	\$25,039	\$56.34	\$33.80	\$22.54
Crow Agency CDP	1,446	324	\$22,150	\$49.84	\$29.90	\$19.94
Culbertson town	796	313	\$23,125	\$52.03	\$31.22	\$20.81
Cut Bank city	3,329	1,361	\$23,378	\$52.60	\$31.56	\$21.04
Darby town	625	259	\$17,500	\$39.38	\$23.63	\$15.75
Deer Lodge city	3,378	1,383	\$21,775	\$48.99	\$29.40	\$19.60
Denton town	350	150	\$20,625	\$46.41	\$27.84	\$18.56
Dillon city	3,991	1,602	\$19,732	\$44.40	\$26.64	\$17.76
Dodson town	137	54	\$22,917	\$51.56	\$30.94	\$20.63
Drummond town	264	121	\$15,208	\$34.22	\$20.53	\$13.69
Dutton town	392	152	\$20,795	\$46.79	\$28.07	\$18.72

ESTIMATED TARGET RATES FOR MUNICIPALITIES AND CENSUS DESIGNATED PLACES (CDP)
MONTANA DEPARTMENT OF COMMERCE OCTOBER, 1999

PLACE NAME	POPULATION 1990	HOUSEHOLDS	1989 MEDIAN HOUSEHOLD INCOME (MHI)	TARGET COMBINED RATE Prod=.03xMHI Div=Prod / 12. Ans=Div x .90	TARGET WATER RATE Prod=.018xMHI Div= Prod / 12. Ans=Div x .90	TARGET SEWER RATE Prod=.012xMHI Div= Prod / 12. Ans=Div x .90
CDP is an unincorporated area All other places are incorporated municipalities						
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East Glacier Park Village CDP	326	135	\$28,077	\$63.17	\$37.90	\$25.27
East Helena town	1,538	615	\$25,720	\$57.87	\$34.72	\$23.15
Ekalaka town	439	209	\$15,192	\$34.18	\$20.51	\$13.67
Ennis town	773	318	\$27,417	\$61.69	\$37.01	\$24.68
Eureka town	1,043	440	\$18,974	\$42.69	\$25.61	\$17.08
Evergreen CDP	4,109	1,548	\$18,438	\$41.49	\$24.89	\$16.59
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Fairfield town	660	293	\$22,250	\$50.06	\$30.04	\$20.03
Fairview city	869	351	\$18,250	\$41.06	\$24.64	\$16.43
Finley Point CDP	395	166	\$24,375	\$54.84	\$32.91	\$21.94
Flaxville town	88	39	\$22,500	\$50.63	\$30.38	\$20.25
Forsyth city	2,178	854	\$26,729	\$60.14	\$36.08	\$24.06
Fort Belknap CDP	422	137	\$15,469	\$34.81	\$20.88	\$13.92
Fort Benton city	1,660	631	\$22,469	\$50.56	\$30.33	\$20.22
Fort Peck town	325	129	\$37,788	\$85.02	\$51.01	\$34.01
Frazier CDP	403	109	\$10,962	\$24.66	\$14.80	\$9.87
Froid town	195	98	\$14,861	\$33.44	\$20.06	\$13.37
Fromberg town	370	164	\$13,611	\$30.62	\$18.37	\$12.25
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Geraldine town	299	116	\$19,732	\$44.40	\$26.64	\$17.76
Glasgow city	3,572	1,530	\$20,766	\$46.72	\$28.03	\$18.69
Glendive city	4,802	2,000	\$22,240	\$50.04	\$30.02	\$20.02
Grass Range town	159	71	\$16,136	\$36.31	\$21.78	\$14.52
Great Falls city	55,097	22,639	\$23,113	\$52.00	\$31.20	\$20.80
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Hamilton city	2,737	1,345	\$14,913	\$33.55	\$20.13	\$13.42
Hardin city	2,940	1,113	\$21,045	\$47.35	\$28.41	\$18.94
Harlem city	882	339	\$18,977	\$42.70	\$25.62	\$17.08
Harlowton city	1,049	474	\$16,619	\$37.39	\$22.44	\$14.96
Havre city	10,201	4,027	\$25,646	\$57.70	\$34.62	\$23.08
Havre North CDP	1,110	440	\$19,400	\$43.65	\$26.19	\$17.46
Hays CDP	333	96	\$8,521	\$19.17	\$11.50	\$7.67
Heart Butte CDP	499	121	\$16,250	\$36.56	\$21.94	\$14.63
Helena city	24,569	10,428	\$25,462	\$57.29	\$34.37	\$22.92
Helena Valley Northeast CDP	1,585	490	\$32,583	\$73.31	\$43.99	\$29.32
Helena Valley Northwest CDP	1,215	394	\$35,536	\$79.96	\$47.97	\$31.98
Helena Valley Southeast CDP	4,601	1,564	\$26,559	\$59.76	\$35.85	\$23.90
Helena Valley West Central CDP	6,327	2,205	\$31,822	\$71.60	\$42.96	\$28.64
Helena West Side CDP	1,847	710	\$25,223	\$56.75	\$34.05	\$22.70
Hingham town	181	76	\$25,536	\$57.46	\$34.47	\$22.98
Hobson town	226	96	\$25,625	\$57.66	\$34.59	\$23.06
Hot Springs town	411	229	\$9,052	\$20.37	\$12.22	\$8.15
Hysham town	361	147	\$18,958	\$42.66	\$25.59	\$17.06
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Ismay town	19	10	\$4,999	\$11.25	\$6.75	\$4.50
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Joliet town	522	236	\$16,875	\$37.97	\$22.78	\$15.19
Jordan town	494	201	\$17,933	\$40.35	\$24.21	\$16.14
Judith Gap city	133	52	\$16,500	\$37.13	\$22.28	\$14.85

ESTIMATED TARGET RATES FOR MUNICIPALITIES AND CENSUS DESIGNATED PLACES (CDP)
MONTANA DEPARTMENT OF COMMERCE OCTOBER, 1999

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Kalispell city	11,917	5,237	\$19,950	\$44.89	\$26.93	\$17.96
Kevin town	185	81	\$16,667	\$37.50	\$22.50	\$15.00
Kicking Horse CDP	281	17	\$22,083	\$49.69	\$29.81	\$19.87
Lame Deer CDP	1,918	505	\$13,425	\$30.21	\$18.12	\$12.08
Laurel city	5,686	2,262	\$21,117	\$47.51	\$28.51	\$19.01
Lavina town	151	69	\$16,094	\$36.21	\$21.73	\$14.48
Lewistown city	6,051	2,474	\$19,780	\$44.51	\$26.70	\$17.80
Libby city	2,532	1,047	\$18,036	\$40.58	\$24.35	\$16.23
Lima town	265	113	\$18,000	\$40.50	\$24.30	\$16.20
Livingston city	6,701	2,862	\$20,208	\$45.47	\$27.28	\$18.19
Lockwood CDP	3,967	1,368	\$26,108	\$58.74	\$35.25	\$23.50
Lodge Grass town	517	162	\$6,169	\$13.88	\$8.33	\$5.55
Lolo CDP	2,746	913	\$29,280	\$65.88	\$39.53	\$26.35
Malmstrom AFB CDP	5,938	1,415	\$22,348	\$50.28	\$30.17	\$20.11
Malta city	2,340	950	\$19,836	\$44.63	\$26.78	\$17.85
Manhattan town	1,034	389	\$21,563	\$48.52	\$29.11	\$19.41
Medicine Lake town	357	143	\$14,659	\$32.98	\$19.79	\$13.19
Melstone town	166	65	\$20,865	\$46.95	\$28.17	\$18.78
Miles City city	8,461	3,506	\$21,224	\$47.75	\$28.65	\$19.10
Missoula city	42,918	17,677	\$21,033	\$47.32	\$28.39	\$18.93
Moore town	211	78	\$20,238	\$45.54	\$27.32	\$18.21
Muddy CDP	387	99	\$17,250	\$38.81	\$23.29	\$15.53
Nashua town	375	167	\$16,550	\$37.24	\$22.34	\$14.90
Neihart town	53	24	\$18,750	\$42.19	\$25.31	\$16.88
North Browning CDP	1,630	445	\$14,537	\$32.71	\$19.62	\$13.08
Opheim town	145	64	\$18,542	\$41.72	\$25.03	\$16.69
Orchard Homes CDP	10,317	4,169	\$22,685	\$51.04	\$30.62	\$20.42
Outlook town	109	43	\$24,063	\$54.14	\$32.49	\$21.66
Pablo CDP	1,298	442	\$19,615	\$44.13	\$26.48	\$17.65
Philipsburg town	925	388	\$14,673	\$33.01	\$19.81	\$13.21
Pinesdale town	670	116	\$17,500	\$39.38	\$23.63	\$15.75
Plains town	992	415	\$18,954	\$42.65	\$25.59	\$17.06
Plentywood city	2,136	896	\$20,666	\$46.50	\$27.90	\$18.60
Plevna town	140	63	\$19,063	\$42.89	\$25.74	\$17.16
Polson city	3,283	1,396	\$14,231	\$32.02	\$19.21	\$12.81
Poplar city	881	333	\$15,662	\$35.24	\$21.14	\$14.10
Pryor CDP	654	159	\$13,561	\$30.51	\$18.31	\$12.20
Red Lodge city	1,958	876	\$17,375	\$39.09	\$23.46	\$15.64
Rexford town	132	48	\$30,486	\$68.59	\$41.16	\$27.44
Richey town	259	123	\$13,333	\$30.00	\$18.00	\$12.00
Ronan city	1,547	636	\$15,868	\$35.70	\$21.42	\$14.28
Roundup city	1,808	785	\$16,319	\$36.72	\$22.03	\$14.69
Ryegate town	260	106	\$17,955	\$40.40	\$24.24	\$16.16
Saco town	261	112	\$19,444	\$43.75	\$26.25	\$17.50

ESTIMATED TARGET RATES FOR MUNICIPALITIES AND CENSUS DESIGNATED PLACES (CDP)
MONTANA DEPARTMENT OF COMMERCE OCTOBER, 1999

PLACE NAME	POPULATION 1990	HOUSEHOLDS	1989 MEDIAN HOUSEHOLD INCOME (MHI)	TARGET COMBINED RATE Prod=.03xMHI Div=Prod / 12. Ans=Div x .90	TARGET WATER RATE Prod=.018xMHI Div= Prod / 12. Ans=Div x .90	TARGET SEWER RATE Prod=.012xMHI Div= Prod / 12. Ans=Div x .90
CDP is an unincorporated area All other places are incorporated municipalities						
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St. Ignatius town	778	295	\$17,037	\$38.33	\$23.00	\$15.33
Scobey city	1,154	497	\$21,552	\$48.49	\$29.10	\$19.40
Shelby city	2,763	1,134	\$25,417	\$57.19	\$34.31	\$22.88
Sheridan town	652	283	\$17,824	\$40.10	\$24.06	\$16.04
Sidney city	5,217	2,006	\$23,120	\$52.02	\$31.21	\$20.81
South Browning CDP	1,748	448	\$8,810	\$19.82	\$11.89	\$7.93
Stanford town	529	213	\$20,227	\$45.51	\$27.31	\$18.20
Starr School CDP	260	57	\$13,750	\$30.94	\$18.56	\$12.38
Stevensville town	1,221	476	\$16,964	\$38.17	\$22.90	\$15.27
Sunburst town	437	165	\$26,667	\$60.00	\$36.00	\$24.00
Sun Prairie CDP	1,424	449	\$28,824	\$64.85	\$38.91	\$25.94
Superior town	881	354	\$20,109	\$45.25	\$27.15	\$18.10
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Terry town	659	301	\$15,809	\$35.57	\$21.34	\$14.23
Thompson Falls city	1,319	531	\$19,659	\$44.23	\$26.54	\$17.69
Three Forks town	1,203	502	\$20,121	\$45.27	\$27.16	\$18.11
Townsend city	1,635	651	\$18,594	\$41.84	\$25.10	\$16.73
Troy city	953	358	\$18,107	\$40.74	\$24.44	\$16.30
Twin Bridges town	374	171	\$12,969	\$29.18	\$17.51	\$11.67
<hr/>						
Valier town	519	228	\$22,062	\$49.64	\$29.78	\$19.86
Virginia City town	142	66	\$22,917	\$51.56	\$30.94	\$20.63
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Walkerville city	605	248	\$16,786	\$37.77	\$22.66	\$15.11
Westby town	253	107	\$26,125	\$58.78	\$35.27	\$23.51
West Yellowstone town	913	408	\$21,950	\$49.39	\$29.63	\$19.76
Whitefish city	4,368	1,830	\$21,569	\$48.53	\$29.12	\$19.41
Whitehall town	1,067	457	\$19,674	\$44.27	\$26.56	\$17.71
White Sulphur Springs city	963	407	\$19,141	\$43.07	\$25.84	\$17.23
Wibaux town	628	259	\$18,214	\$40.98	\$24.59	\$16.39
Winifred town	150	66	\$20,909	\$47.05	\$28.23	\$18.82
Winnett town	188	84	\$17,875	\$40.22	\$24.13	\$16.09
Wolf Point city	2,880	1,104	\$21,290	\$47.90	\$28.74	\$19.16

SUGGESTIONS FOR WRITING SUCCESSFUL TSEP APPLICATIONS

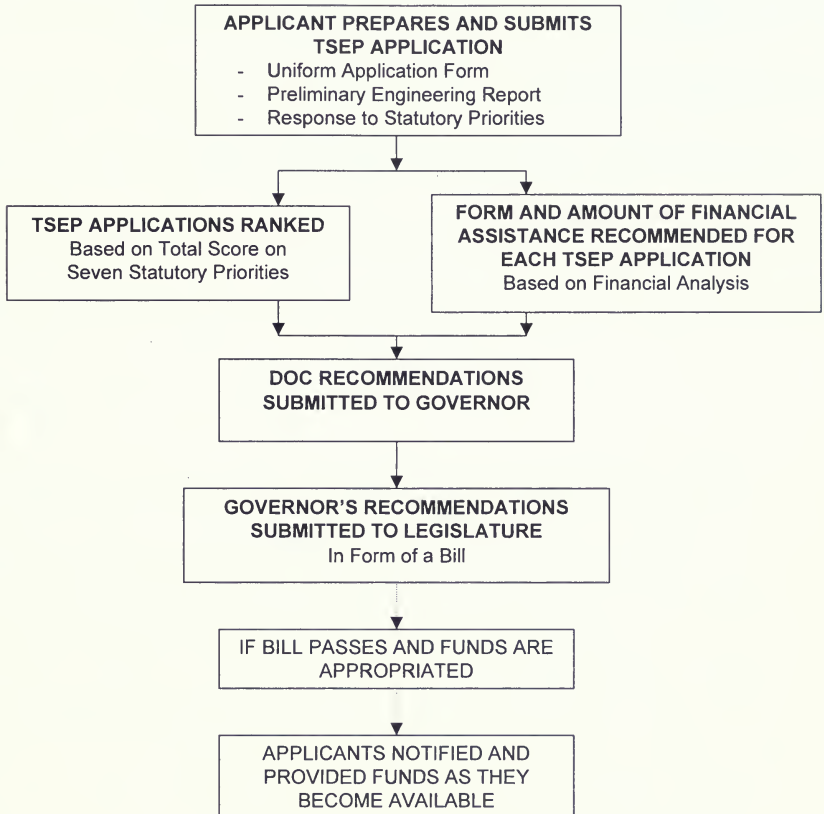
1. **Approach the Application Guidelines Methodically, Step-by-Step.** Use the guidelines like a checklist. Be sure to complete each requirement, and answer all parts of the statutory priority and sub-criteria. If you feel any requirement, statutory priority, or sub-criteria do not apply to your project, be sure to address each with "N/A" (not applicable).
2. **Understand the requirements.** Montana's TSEP Application Guidelines try to clearly explain the basic requirements of the program and the ranking criteria that will be used to score your application. If you have any questions or anything is unclear to you, call the Department of Commerce TSEP staff. Don't wait until the last minute if you have any questions about the Application Guidelines.
3. **Form a Steering Committee or Task Force.** While it usually works best to have one person responsible for writing and assembling the application, preparation of a competitive TSEP application is not just a one-person job. After you have determined which requirements will apply, break the tasks into individual assignments. Put together a calendar to make sure you have the time to get all the required tasks done and schedule completion dates for each.
4. **If you were an unsuccessful applicant previously, make arrangements with Department of Commerce TSEP staff to review the ranking of your application.** Find out what areas might be improved. What were the differences in the successful applications that caused them to be ranked higher? (You can also borrow copies of successful applications to get ideas on how to prepare a stronger application.) Even if your application received a maximum score on a particular criterion, review your response to see if it can be strengthened further. Because the application ranking process is based on a comparison of those submitted, there is no guarantee that your application will receive the same score that it did the previous year.

ORGANIZING AND WRITING YOUR APPLICATION

1. **Be concise and well organized.** Despite some impressions to the contrary, TSEP applications are not scored by their weight. In fact, excessive length and volume actually can hurt because it wears out the reviewer and makes it more difficult to follow the thread of your proposal through a lot of paper. Make sure that anything you include is really pertinent to making your case and not just filler. The Department of Commerce has a goal of funding good projects, not just good applications; however, a well organized application with a logical progression of ideas and clearly labeled exhibits and appendices make it that much easier to understand the case you are making for your community. Please follow the suggested application format.

2. **Be complete.** Your application must speak for itself and anticipate all the likely questions that might be asked. Don't assume that the people who will review your application know your community or your situation. The ranking team will be composed of Department of Commerce staff that may not have detailed knowledge of your community or your situation. Describe the circumstances clearly and thoroughly.
3. **Include documentation.** Include documentation in your application to support the information you provide answering the statutory priorities.
4. **Arrange for review of the draft application before it is submitted.** Someone other than the grant writer should review a preliminary draft of the application. This could include members of the steering committee or task force referred to on the previous page. They can serve as editors and raise questions or spot gaps or inconsistencies in your arguments that you may not be able to see because you are too involved in the project to be aware of them. Getting others involved can bring in a fresh perspective that may question some of your assumptions or see weaknesses that you cannot.

TSEP APPLICATION FLOWCHART



SAMPLE RESOLUTION TO AUTHORIZE SUBMISSION OF TSEP APPLICATION

Each application for TSEP funds must be accompanied by a copy of a resolution formally adopted by the applicant and authorizing:

- the submission of the TSEP application in compliance with the TSEP Application Guidelines, and
- the applicant's chief elected official or chief executive officer to act on its behalf in regard to the application and to provide such additional information as may be required.

The resolution must also indicate the governing body's intent to commit to any funding for the project that will be provided by the applicant.

Applicants must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applicant assumes complete responsibility for proper financial management of the TSEP funds awarded to it and compliance with all State laws and regulations. Pursuant to Section 2-7-504, MCA, all TSEP recipients must be able to demonstrate that their financial management systems meet generally accepted accounting principles before DOC will disburse TSEP funds for a local project.

See sample resolution on next page.

SAMPLE RESOLUTION TO AUTHORIZE SUBMISSION OF TSEP APPLICATION

WHEREAS, the (Name of applicant) is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to (describe purpose of project);

WHEREAS, the (Name of applicant) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed public facility);

That the (Name of applicant) agrees to comply with all State laws and regulations and the requirements described in the 2000-2001 TSEP Application Guidelines;

That the (Name of applicant) commits to provide the matching funds as proposed in the TSEP application; and

That (name of Chief Elected Official or Chief Executive Officer), (title), is authorized to submit this application to the Montana Department of Commerce, on behalf of (Name of applicant), to act on its behalf and to provide such additional information as may be required.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

AMOUNT OF TSEP FUNDS AVAILABLE

TSEP's enabling statute created a separate subfund, the Treasure State Endowment Fund (the "Fund"), within the Permanent Coal Trust (the "Trust") to generate ongoing funding for TSEP projects. As a subfund of the Trust, the Fund principal is afforded the same constitutional protection as the principal in the Trust. The Montana Constitution states "The principal of the trust shall forever remain inviolate unless appropriated by a vote of three-fourths of the members of each house of the legislature." Revenues for TSEP grants are generated by interest earnings on the principal of the Fund.

Under the provisions of the TSEP statute, passed on July 1, 1993, \$10.0 million was transferred from the Trust to the Fund. Based on the original TSEP statute passed in 1993, the Fund was to receive 50 percent of the coal severance taxes constitutionally earmarked for the Trust during the next 20 years. However, in 1999, the Legislature passed HB 260, which affects the amount of coal severance taxes that flow into the Trust and ultimately the Fund:

- HB 260 in effect reduced the amount of new funds flowing into the Trust by 50%. Therefore, this will decrease the amount going into the Fund.
- However, HB 260, in conjunction with SB 220, increased the percent of the coal severance taxes constitutionally earmarked for the Fund from 50 percent to 75 percent, and extended the time during which coal severance taxes are constitutionally earmarked for the Fund to Fiscal Year 2023.
- HB 260 also stated an amount to be available each fiscal year to supplement the interest earnings available for projects. During each of the first two fiscal years (FY2000 and 2001), \$2.6 million will be added to the interest earnings available for TSEP grants. In subsequent fiscal years, \$600,000 will be added to the interest earnings available for TSEP grants.

The constitutionality of HB260 has been challenged in court. The Montana Supreme Court is expected to issue a decision on its constitutionality at any time. Regardless of the decision, approximately \$12 million should be available for the biennium.

Long-term projections by DOC indicate that by Fiscal Year 2023, the principal in the Treasure State Endowment Fund will reach approximately \$177 million. Based on this projection, approximately \$24 million would be available each biennium for TSEP grants starting in Fiscal Year 2023. Because this projection is based on a constant 7% rate of return, and the information pertaining to the amount of new funds flowing into the Fund is incomplete, the actual amount available could vary considerably.

**Treasure State Endowment Program
Funds Available For Matching Grants
Projected Biennially**

2002-03 -- \$12.0	2008-09 -- \$15.9
2004-05 -- \$13.3	2010-11 -- \$17.2
2006-07 -- \$14.7	2012-13 -- \$18.5

(in millions of dollars)

Based on projections prepared on 6/21/99
using a 7% interest rate of return.

TSEP ENABLING STATUTE

The Treasure State Endowment Program (TSEP) is a state-funded program designed to assist communities in financing public facilities projects. It was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. The law has been codified as Sections 90-6-701 through 90-6-710, MCA, as amended by the 1999 Legislature.

90-6-701. Treasure state endowment program created -- definitions. (1) (a) There is a treasure state endowment program that consists of:

(i) the treasure state endowment fund established in 17-5-703;

(ii) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

(b) The treasure state endowment program may borrow from the board of investments to provide additional financial assistance for local government infrastructure projects under this part, provided that no part of the loan may be made from retirement funds.

(2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local government infrastructure projects under this part and to repay loans from the board of investments.

(3) As used in this part, the following definitions apply:

(a) "Infrastructure projects" means:

(i) drinking water systems;

(ii) wastewater treatment;

(iii) sanitary sewer or storm sewer systems;

(iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or

(v) bridges.

(b) "Local government" means an incorporated city or town, a county, a consolidated local government, a tribal government, or a county or multi-county water, sewer, or solid waste district.

(c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund established in 17-5-703(1)(b).

(d) "Treasure state endowment program" means the local government infrastructure investment program established in subsection (1).

(e) "Tribal government" means a federally recognized Indian tribe within the state of Montana.

90-6-702. Purpose. The purpose of the treasure state endowment program is to assist local governments in funding infrastructure projects that will:

(1) create jobs for Montana residents;

(2) promote economic growth in Montana by helping to finance the necessary infrastructure;

(3) encourage local public facility improvements;

(4) create a partnership between the state and local governments to make necessary public

projects affordable;

- (5) support long-term, stable economic growth in Montana;
- (6) protect future generations from undue fiscal burdens caused by financing necessary public works;
- (7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- (8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

90-6-703. Types of financial assistance available. (1) The legislature shall provide for and make available to local governments the following types of financial assistance under this part:

- (a) matching grants for local infrastructure projects;
 - (b) annual debt service subsidies on local infrastructure projects; and
 - (c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.
- (2) The department of natural resources and conservation and the department of commerce:

- (a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may allow the subsidies to be paid over the life of the loan or bonding period; and
- (b) may make deferred loans to local governments for preliminary engineering study costs.

The applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project. Repayment may be postponed until the overall construction financing is arranged.

90-6-704 through 90-6-708 reserved.

90-6-709. Agreements with tribal governments. (1) Agreements with tribal governments in Montana entered into under this part must contain, in addition to other appropriate terms and conditions, the following conditions:

- (a) a requirement that in the event that a dispute or claim arises under the agreement, state law will govern as to the interpretation and performance of the agreement and that any judicial proceeding concerning the terms of the agreement will be brought in the district court of the first judicial district of the state of Montana;
- (b) an express waiver of the tribal government's immunity from suit on any issue specifically arising from the transaction of a loan or grant; and
- (c) an express waiver of any right to exhaust tribal remedies signed by the tribal government.

(2) Agreements with tribal governments must be approved by the secretary of the United States department of the interior whenever approval is necessary.

90-6-710. Priorities for projects -- procedure -- rulemaking. (1) The department of commerce must receive proposals for projects from local governments as defined in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the

recommended projects and the recommended form and amount of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department and shall submit a list of recommended projects and the recommended financial assistance to the legislature.

(2) In preparing recommendations under subsection (1), preference must be given to infrastructure projects based on the following order of priority:

(a) projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards;

(b) projects that reflect greater need for financial assistance than other projects;

(c) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

(d) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

(e) projects that enable local governments to obtain funds from sources other than the funds provided under this part;

(f) projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain the tax base or that encourage expansion of the tax base; and

(g) projects that are high local priorities and have strong community support.

(3) After the review required by subsection (1), the projects must be approved by the legislature.

(4) The department shall adopt rules necessary to implement the treasure state endowment program.

APPENDIX K

TSEP PROJECTS PREVIOUSLY AUTHORIZED BY THE LEGISLATURE

PROJECTS APPROVED BY THE 1993 LEGISLATURE

	<u>TYPE APPLICANT</u>	<u>TSEP AMOUNT</u>	<u>TOTAL PROJECT</u>
DRINKING WATER PROJECTS			
Butte-Silver Bow	City/County	\$300,000	\$24,706,000
Anaconda/Deer Lodge	City/County	\$350,000	\$ 4,965,000
Neihart	Municipal	\$544,673	\$ 724,673
Dutton	Municipal	\$ 50,000	\$ 118,700
Circle	Municipal	\$370,000	\$ 2,842,360
Harlem	Municipal	\$217,300	\$ 742,077
Helena	Municipal	\$338,633	\$ 1,100,271
Froid	Municipal	\$117,000	\$ 576,600
Ennis	Municipal	\$ 10,000	\$ 1,114,600
Missoula County	County/District	\$154,107	\$ 309,107
Subtotal		\$2,451,713	\$37,199,388
WASTEWATER PROJECTS			
Stillwater County	County/District	\$200,000	\$1,312,645
Ronan	Municipal	\$100,000	\$ 879,662
Shelby	Municipal	<u>\$366,000</u>	<u>\$1,051,300</u>
Subtotal		\$666,000	\$3,243,607
SOLID WASTE PROJECTS			
Beaverhead County	County	\$160,000	\$ 320,000
Richland County	County	<u>\$285,000</u>	<u>\$1,180,000</u>
Subtotal		\$445,000	\$1,500,000
STORM SEWER PROJECTS			
Lewistown	Municipal	\$ 60,000	\$165,264
Livingston	Municipal	<u>\$100,000</u>	<u>\$200,000</u>
Subtotal		\$160,000	\$365,264

	<u>TYPE APPLICANT</u>	<u>TSEP AMOUNT</u>	<u>TOTAL PROJECT</u>
BRIDGE PROJECTS			
Carbon County	County	\$ 25,000	\$120,100
Yellowstone County	County	\$ 95,000	\$193,110
Subtotal		<u>\$120,000</u>	<u>\$313,210</u>

Total number of applications for TSEP funding: 32

Total number of projects approved and funded with TSEP grants: 19

Total amount of TSEP grant funds: \$3.84 million

Total cost of projects assisted by TSEP grant funds: \$42.62 million

The following grants and engineering loans were approved, but not utilized by the applicants:

Toole Co./Sweetgrass (Engineering Loan/Sewer)	\$25,000
Yellowstone Co./Shepherd (Engineering Loan/Water)	\$85,000
Gallatin Co./Rae Subdivision (Grant/Water)	\$33,245
Wheatland (Engineering Loan/Solid Waste)	\$33,000

PROJECTS APPROVED BY THE 1995 LEGISLATURE

	<u>TYPE</u> <u>APPLICANT</u>	<u>TSEP</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>PROJECT</u>
DRINKING WATER PROJECTS			
Hill County	District	\$500,000	\$1,150,000
East Glacier	District	\$306,555	\$ 747,510
Seeley Lake	District	\$464,364	\$1,321,464
Gardiner	District	\$300,000	\$1,085,000
Lewistown	Municipal	\$500,000	\$6,516,600
Conrad	Municipal	\$180,000	\$ 360,000
Whitehall	Municipal	\$500,000	\$1,275,000
Fairview	Municipal	\$500,000	\$1,595,000
Subtotal		\$3,250,919	\$14,050,574

WASTEWATER/STORM SEWER PROJECTS

Troy	Municipal	\$500,000	\$4,691,825
Hamilton	Municipal	\$137,632	\$ 662,632
Thompson Falls	Municipal	\$400,644	\$1,477,144
Hysham	Municipal	\$127,500	\$ 405,000
Butte-Silver Bow	City/County	\$500,000	\$6,304,485
Subtotal		\$1,665,776	\$13,541,086

BRIDGE PROJECTS

Powell County	County	\$52,334	\$123,934
Beaverhead County	County	\$23,000	\$ 46,000
Subtotal		\$75,334	\$169,934

Total number of applications for TSEP funding: 21

Total number of projects approved and funded with TSEP grants: 15

Total amount of TSEP grant funds: \$4.99 million

Total cost of projects assisted by TSEP grant funds: \$27.76 million

PROJECTS APPROVED BY THE 1997 LEGISLATURE

	<u>TYPE</u> <u>APPLICANT</u>	<u>TSEP</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>PROJECT</u>
DRINKING WATER PROJECTS			
Fort Peck	District	\$500,000	\$7,300,000
Glendive	Municipal	\$500,000	\$1,153,918
Twin Bridges	Municipal	\$500,000	\$1,268,500
Richey	Municipal	\$264,340	\$ 537,100
Chinook	Municipal	\$313,555	\$ 627,110
Fort Benton	Municipal	\$480,244	\$1,020,667
Miles City	Municipal	\$136,000	\$ 273,000
Lakeside	District	\$500,000	\$1,100,000
Neihart	Municipal	\$261,028	\$ 361,028
Coram	District	\$500,000	\$1,053,722
Subtotal		\$3,955,167	\$14,695,045

WASTEWATER/STORM SEWER PROJECTS

Cascade	Municipal	\$500,000	\$2,336,500
Terry	Municipal	\$500,000	\$1,495,200
Judith Gap	Municipal	\$130,000	\$ 630,000
East Missoula	District	\$500,000	\$4,600,000
Glasgow	Municipal	\$500,000	\$2,048,000
Helena	Municipal	\$500,000	\$8,921,367
Hill County/Box Elder	County/District	\$462,000	\$ 929,000
Valier	Municipal	\$500,000	\$1,200,000
Roundup	Municipal	\$500,000	\$2,391,187
Hamilton	Municipal	\$500,000	\$1,031,000
Missoula	Municipal	\$500,000	\$3,294,000
Subtotal		\$5,092,000	\$28,876,254

BRIDGE PROJECTS

Lewis and Clark County	County	<u>\$64,125</u>	<u>\$258,250</u>
Subtotal		\$64,125	\$258,250

Total number of applications for TSEP funding: 40

Total number of projects approved and funded with TSEP grants: 22

Total amount of TSEP grant funds: \$9.11 million

Total cost of projects assisted by TSEP grants funds: \$43.82 million

NOTE: 13 other projects were approved for TSEP grant funding in the event sufficient grant funds become available.

In addition to the projects shown above that were awarded TSEP grant funds, the following projects were approved for TSEP construction loans to be administered through the Department of Natural Resources and Conservation:

Fort Peck Rural County Water District (water) \$1,325,000

City of Choteau (wastewater) \$ 110,000

Coram Water and Sewer District (water) \$ 170,000

City of Livingston (water) \$ 300,000

However, none of the TSEP construction loans were ever accepted. Loans from other sources were utilized.

Total number of projects approved and funded with TSEP loans: 4

Total amount of TSEP loan funds: \$1.9 million

Total cost of projects assisted by TSEP loan funds: \$9.3 million

PROJECTS APPROVED BY THE 1999 LEGISLATURE

	<u>TYPE</u> <u>APPLICANT</u>	<u>TSEP</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>PROJECT</u>
DRINKING WATER PROJECTS			
Boulder	Municipal	\$ 500,000	\$ 1,917,000
Chester	Municipal	\$ 220,150	\$ 440,300
Cut Bank	Municipal	\$ 500,000	\$ 3,234,000
Elk Meadows	District	\$ 210,000	\$ 515,186
Havre	Municipal	\$ 303,747	\$ 793,606
Helena	Municipal	\$ 500,000	\$ 9,200,000
Highwood	District	\$ 400,000	\$ 803,560
Lacasa Grande	District	\$ 500,000	\$ 1,045,000
Midvale	District	\$ 374,720	\$ 749,455
Philipsburg	Municipal	\$ 121,900	\$ 629,253
Shelby	Municipal	\$ 400,000	\$ 825,000
South Hills	District	\$ 500,000	\$ 1,035,000
Thompson Falls	Municipal	\$ 500,000	\$ 2,671,300
Subtotal		\$5,030,517	\$23,858,660

WASTEWATER/STORM SEWER PROJECTS

Arlee	District	\$ 500,000	\$ 2,589,033
Augusta	District	\$ 500,000	\$ 1,526,000
Big Timber	Municipal	\$ 500,000	\$ 1,796,275
Columbia Falls	Municipal	\$ 500,000	\$ 3,277,000
Corvallis	District	\$ 410,760	\$ 1,034,250
Denton	Municipal	\$ 415,000	\$ 865,200
Drummond	Municipal	\$ 292,850	\$ 595,880
Ekalaka	Municipal	\$ 87,200	\$ 178,400
Geraldine	Municipal	\$ 300,000	\$ 811,007
Glasgow	Municipal	\$ 500,000	\$ 1,600,000
Harlem	Municipal	\$ 179,311	\$ 388,122
Harrison	District	\$ 500,000	\$ 1,600,000
Missoula	Municipal	\$ 500,000	\$ 5,532,607
Rae	District	\$ 485,850	\$ 971,700
Red Lodge	Municipal	\$ 500,000	\$ 4,909,000
Sweetgrass	District	\$ 213,000	\$ 631,000
Willow Creek	District	\$ 500,000	\$ 1,031,400
Subtotal		\$6,883,971	\$29,336,874

BRIDGE PROJECTS

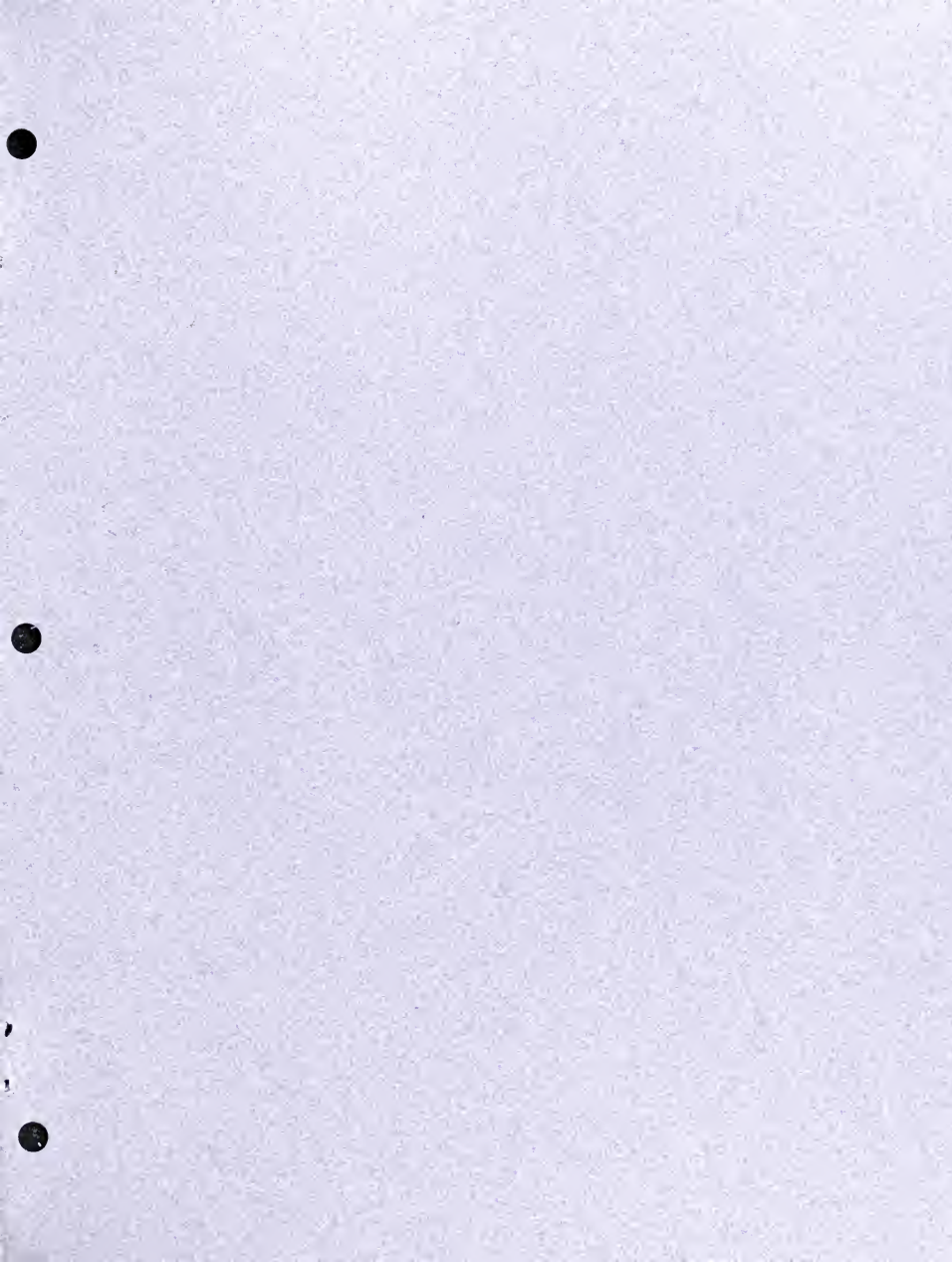
Lewis and Clark	County	\$500,000	\$1,165,985
Richland	County	\$181,155	\$ 362,310
Subtotal		\$681,155	\$1,528,295

Total number of applications for TSEP funding: 41

Total number of projects approved and funded with TSEP grants: 32

Total amount of TSEP grant funds: \$12,595,643

Total cost of projects assisted by TSEP grants funds: \$54,723,829



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